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Separate section

World Business Newspaper http://www.FT.com THURSDAY APRIL 10 1997

Telefónica move may shift world telecom alliances

Global telecoms alliances seemed set for a complete realignment last night as the board of privatised Spanish operator Telefónica met to choose a US partner. Industry sources said it was likely to pick MCI, the big US long distance carrier currently planning to merge with British Telecommunications. That would mean turning down AT&T, the largest US operator, and leader of the WorldPartners alliance of which Telefónica is already a member. The successful suitor is expected to take an equity stake in Telefónica Internacional (Tisa), the group's international arm.

Fiat chief convicted: Cesare Romiti, chairman of Italian motor giant Fiat, was found guilty In Turin of falsifying records and given an 18-month suspended prison sentence. Fiat's financial director, Francesco Paolo Mattioli, convicted on the same charges, received 16 months suspended. Both men plan to appeal. Page 12

European investment banks last year won a bigger chunk of growing international privatisation advisory business, according to a survey by Privatisation International. It showed receipts to governments reached a record $88bn in 1996, compared with $73bn in 1995 and $64bn in 1994. Page 12

Gazprom chief gets backing: Russia's most powerful industrial boss, Rem Viakherev, won parliamentary support for his accusation that a conspiracy of foreign companies was behind attempts to break up Gazprom, the country's natural gas monopoly. Page 2

Procter & Gamble in $1.9bn deal: US soap giant Procter & Gamble has agreed to buy the maker of Tampax tampons for $1.85bn. The deal for Tambrands is Procter & Gamble's biggest acquisition, but could face scrutiny by anti-trust regulators. Page 13

Spanish labour deal: Spanish business and union leaders welcomed a national agreement on labour guidelines as heralding a period of industrial harmony, greater job stability and more employment. Page 3

US budget warning: The White House and Republican-controlled Congress must reach a budget deal in the next week or congressional leaders will pursue tax and spending plans unilaterally, leading Republican congressman John Kasich, chairman of the House budget committee, warned. Page 5

Flickering Mideast peace hopes: A multilateral conference in Malta next week may try to put the faltering Middle East peace process back on track. It will be held against a background of growing violence in the West Bank, where hundreds of Palestinians broke away from a funeral procession in Hebron and clashed with Israeli forces. Page 4

Fidelity Investments' $51bn Magellan mutual fund, the world's largest, rang down the curtain on the least successful investment in its history, telling investors that in February it had sold all its remaining bonds and returned to its traditional emphasis on equities. Page 13

Ulster shooting: Loyalist paramilitaries were blamed for shooting and wounding a Roman Catholic at Newtownabbey on the northern outskirts of Belfast.

India and Pakistan move to heal rift:

Indian foreign minister I K Gujral, left, and his Pakistani counterpart Gohar Ayub Khan held their first one-to-one talks since high-level meetings between the hostile neighbours resumed last month. They agreed to more talks in Islamabad next month. India and Pakistan have fought three wars since partition in 1947. Page 6

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6606.93	(-1.13)
NASDAQ Composite	1260.25	(+2.88)
Europe and Far East		
CAC40	2617.55	(+38.55)
DAX	3358.46	(+29.70)
FTSE 100	4292.3	(+23.0)
Nikkei	17703.37	(-318.33)

■ US LUNCHTIME RATES

Federal Funds	$5\frac{7}{16}$%
3-mth Treas Bills: Yld	5.228%
Long Bond	$94\frac{7}{32}$
Yield	7.087%

■ OTHER RATES

UK: 3-mo Interbank	$6\frac{3}{8}$%	($6\frac{7}{16}$%)
UK: 10 yr Gilt	$97\frac{7}{16}$	($97\frac{1}{8}$)
France: 10 yr OAT	97.93	(97.62)
Germany: 10 yr Bund	100.73	(100.63)
Japan: 10 yr JGB	108.3387	(106.4167)

■ NORTH SEA OIL (Argus)

Brent Dated	$17.33	(17.02)

■ GOLD

New York: Comex	$348.0	(348.6)
London: close	$348.3	(348.55)

■ DOLLAR

New York: lunchtime		
£	1.6213	
DM	1.7258	
FFr	5.8036	
SFr	1.4777	
Y	126.975	
London:		
£	1.6233	(1.6234)
DM	1.7197	(1.711)
FFr	5.7865	(5.758)
SFr	1.4738	(1.4704)
Y	126.52	(126.18)
Tokyo close:	Y 126.45	

■ STERLING

DM	2.7915	(2.7775)

Allianz acts on Holocaust claims

German group's decision puts pressure on other insurers

By Ralph Atkins in Stuttgart and Norma Cohen in London

Allianz, the German insurance group, yesterday took steps to ensure any reasonable outstanding insurance claims from Holocaust survivors and victims' heirs are honoured.

The decision by one of Europe's largest insurers to tackle its legacy from the country's Nazi past will increase the pressure on other insurers, inclnding Assicurazioni Generali of Italy, to take an equally open stance.

Mr Gerhard Rnpprecht, *chairman of Allianz Lebens*versicherung, Allianz'a life assurance snbsidiary, said it was the group's "duty" to recognise its corporate history.

On Monday, the German insurers' trade association will hold an emergency session to discuss how the rest of the industry should respond.

Allianz said it would appoint independent arbitrators from consultants Arthur Andersen to sift files and set up telephone "hotlines". It will also name a panel of independent economic historians to investigate Allianz's relationship with the Nazi regime.

"Wherever there is any reason to believe that a claimant would have a right to get the proceeds, we would settle it," Mr Rupprecht said.

Allianz and Generali are two of seven European insurers named in a $7bn class action suit, filed in New York this month by families of Holocaust victims seeking proceeds of unpaid life assurance policies. Generali, which bad strong market shares in central and eastern Europe before the second world war, is also the subject of dozens of claims in the *UK, US* and *Israel*.

Allianz bas yet to receive formal notification of the New York action but Mr Rupprecht hinted tbat if plaintiffs had legitimate claims, Allianz would prefer to settle out of court.

In 1938, the Nazi government ordered German insurers to turn over half the proceeds of Jewish insurance policies to the Third Reich, while allowing the insurers to keep some assets. After the war, some of those whose policies were cashed in by the Nazis were able to claim compensation from the federal government.

Allianz says it belped process at least 3,000 such claims. But Arthur Andersen will examine whether other policy holders sbould also have been compensated. Allianz will also look at wbether claims might be possible on policies not casbed by the Nazis.

Claimants might bave failed to take action so far because of upheaval after the war, language difficulties and a reluctance to unearth past traumas. Mr Jürgen Eicbelmann, an executive board member of Allianz Lebensversicherung, *will take personal responsibil*ity for overseeing claims. Allianz said it was impossible to quantify the number of possible cases or the scale of liabilities. Whether interest was paid on claims would depend on individual circumstances.

Yesterday, representatives of claimants said they welcomed Alllanz's move. MPC, a London-based insurance loss assessor handling claims for about 35 families, said: "We view this as a positive step forward. It sbould be a marker for otber insurers to follow."

Mr Edward Fagen, the law*yer handling the US suit, said* the move was welcome. "If Allianz wants to negotiate a binding out-of-court settlement with us, tben we will drop them from the case," he said.

Allianz Life results, Page 14

US calls on Zaire's president to make way for transitional rule

Reign of Mobutu nears end with fall of second city

By Michela Wrong in Goma

Soldiers bar the way of Etienne Tshisekedi as be tries to reach the prime minister's office after his sacking yesterday Picture: Reuter

Tbe 32-year regime of President Mobutu Sese Seko was close to collapse last night as Zaire's second largest city fell to advancing rebels and the US called on the country's ailing leader to step down.

Mr Mobutu, who came to power in 1965 with Washington's support, had become a "*creature of history*", *a White* House official said yesterday.

The loss of Lubumbashi, centre of Zaire's copper mining region, coupled with the blunt message from the government that was once his closest ally, *are* likely to *prove terminal* blows.

US diplomats are urging Mr Mobutu, under treatment for cancer, to go into exile. This would pave the way for a ceasefire, agreed in principle at talks in South Africa this week between the government and representatives of Mr Laurent Kabila's rebel alliance. A ceasefire is believed to be more likely now that Lubumbashi has fallen.

Earlier in the day, soldiers in Kinshasa, the capital, clashed with anti-government demonstrators protesting at *President Mobutu's decision* to sack Mr Etienne Tshisekedi, appolnted prime minister a week ago, and replace him with General Likulia Bolongo, the former defence minister.

Troops fired in the air and used teargas against thousands of Mr Tshisekedi's supporters who turned out to accompany him to the prime minister's office.

But Mr Mobutu's son Kongolo and other soldiers barred tbe route with armoured vehicles, said witnesses, and escorted Mr Tshisekedi, bleed*ing from a* slight head wound, back to his home In Kinshasa's Limete district.

As tension rose in the capital, a 1,500-strong contingent of western troops based across the Congo river in neighbouring Brazzaville was put on standby, ready to evacuate several thousand French, Belgian, *US* and British nationals.

It became clear that Washington had run out of patience with Mr Mobutu's attempt to cling to power when Mr Michael McCurry, White House press secretary, told reporters that "Mobutuism is about to become a creature of history ... The support for President Mobutu is not sufficient to lead Zaire".

He added: "We've been pressing for a negotiated solution to the ongoing conflict between the government and the rebel faction for some time. We welcome reports of some progress on the UN-sponsored talks that have been occurring in South Africa. Meanwhile, we have said that we recognise that a negotiated solution will have to ... Include agreements on interim transitional government arrangements."

Editorial Comment, Page 11

US retailer faces legal action over origins of clothing

By Nancy Dunne in Washington

US textile manufacturers are to sue The Limited, a leading American retailer, for importing allegedly mislabelled clothing from China, in a case which could set a precedent for a concerted attack on customs fraud.

The American Textile Manufacturers Institute yesterday accused The Limited and several of its retailing subsidiaries – *including Victoria's* Secret, Abercrombie & Fitch, and Lane Bryant – of importing clothing made in China, but labelling it as made elsewhere to avoid US quotas and duties.

The case is intended to recover millions of dollars of customs duties owed on allegedly mislabelled Chinese prodncts. It is the first filed under tbe False Claims Act wbicb allows private parties to bring civil actions on behalf of the government to recover losses incurred by fraud.

The institute said that the Landale Garment Factory in Hnng Kong was nnder

Continued on Page 12

Australia to lift ban on foreign takeovers of banks

By Nikki Tait in Canberra

Australia yesterday said it was lifting the blanket ban on foreign takeovers of banks as part of its most radical financial *reforms* In more than a decade.

Mr Peter Costello, the federal treasurer, said the government would also abolish the "six pillars" rule which has prohibited mergers between the country's "big four" national banks and the two large life assurance companies.

But he surprised markets by announcing that the government would continue to ban mergers between Australia's four main banks "at this time".

Mr Costello said foreign investment proposals would be assessed case by case. "In making these assessments, the government will apply the principle that any large-scale transfer of Australian ownership of the financial system to foreign hands would be contrary to the national interest."

The reforms were recommended in the long-awaited government-commissioned Wallis report on the financial services Industry. Its recommendation to abolish the six pillars rule and that a competition watchdog be given final say on mergers went further than the government indicated it would support at present.

Share prices of banks thought most likely to attract foreign interest climbed yesterday. National Australia Bank (NAB) rose 39 cents to A$15.11 and Commonwealth Bank 28 cents to A$12.98. But Westpac and ANZ, *seen as likely* domestic targets, lost ground. The four banks account for 65 per cent of loans and deposits.

The report also called for sweeping cbanges to regulation of the financial services industry and a wide-ranging liberalisation of the payments system to encourage new entrants and the growth of financial services conglomerates.

A single "mega-regulator" to supervise standards across the financial services sector was also suggested – a proposal that would diminish the role of the Reserve Bank, which oversees the banking industry.

The cabinet will consider the broader recommendations after the federal budget on May 13, although Mr Costello indicated yesterday he was strongly supportive of the general thrust of the report.

The report brought a range of responses from financial services companies, with most endorsing moves to reduce regulatory overlap and eradicate the increasingly artificial barriers between *banks, insurers* and other institutions.

Mr Don Argus, chief executive at NAB, Australia's biggest bank, was "mildly disappointed" at the government's cautious response on merger rules, while *Commonwealth* Bank warned that proposed changes to the payments system could take Australia "into uncharted waters".

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NEWS: EUROPE

Slovaks angered by Czech president's 'insults and lack of esteem' over Nato debate

Slovakia recalls Prague ambassador

By Vincent Boland in Prague

Slovakia recalled its ambassador from Prague for "consultations" yesterday amid a furore over what the government regards as insulting remarks about Mr Vladimír Mečiar, the prime minister, by Czech President Václav Havel.

The move has brought Slovak-Czech relations to their lowest point since the peaceful break-up of Czechoslovakia at the end of 1992 and suggests thet the goodwill that marked their "velvet divorce" is a spent force.

It caps weeks of growing resentment in Bratislava of criticism from Prague of Slovakia's turbulent politics and at the country's allegedly unfair treatment in the division of assets arising from the split of the federation.

The recall of Mr Ivan Mjartan, the ambassador, followed reported comments by Mr Havel that Mr Mečiar was "paranoid" about the reasons for Slovakia's almost certain failure to be included in the first wave of Nato expansion.

Since the summit between Presidents Bill Clinton and Boris Yeltsin in Helsinki last month, Mr Mečiar bas suggested that an agreement exists between the US and Russia that allows for only the Czech Republic, Poland and Hungary to join the alliance. Asked about that suggestion in an interview in the French newspaper Le Figaro, Mr Havel said Nato needed "to make it clearly understood that nobody was being discriminated against as Mr Mečiar thinks with his customary paranoia."

Mr Havel is in Italy recovering from cancer surgery, and his office declined in comment further yesterday. But the remark has infuriated the Slovak government, which is struggling to explain the country's isolation from the west.

On Tuesday the Slovak cabinet issued a statement accusing Mr Havel of "insults and lack of esteem" for the prime minister, of interfering in Slovakia's internal affairs, and damaging it in the eyes of the world.

Last week Mr Mečiar suggested the Czech Republic was not fit to join because it had not settled outstanding disputes with Slovakia over the division of federal property, including gold, cross-ownership of banks, and cultural artefacts.

Plans for a meeting between Mr Mečiar and his Czech counterpart, Mr Václav Klaus, to discuss these issues appear in have collapsed. Diplomats blame Slovakia's apparent failure in gain Nato acceptance this time around on Mr Mečiar's autocratic leadership and the country's internal instability, which make Slovakia "an unreliable ally".

The first entrants to Nato have not yet been named but Hungary, Poland and the Czech Republic are expected to be invited to join after an alliance summit in Madrid in July.

The latest row between the two countries has a sharp personal edge. There is long-standing animosity between the populist Mr Mečiar, perhaps the strongest supporter of the break-up of Czechoslovakia, and the intellectual Mr Havel, who opposed it.

Mr Mečiar has always been sensitive to criticism from Prague – many Slovaks have a chip on their shoulder about their slightly bigger and slightly more prosperous neighbours.

The Czech government made no immediate comment on Mr Havel's remark and did not immediately react to the withdrawal of Mr Mjartan. Analysts said the cooling of the Czech/Slovak relationship was nonetheless moving up the political agenda in both capitals, with little prospect of a quick end in the row.

'Slovaks are being considered [for Nato membership] but it does not look likely. The situation is not caused by Slovakia's domestic problems but by global agreements between Russia and the US' – **Vladimír Mečiar**(left)

'Nobody is being discriminated against, as Mr Mečiar thinks with his customary paranoia' – **Václav Havel** (right)

Prodi battered by Albania debate

By Robert Graham in Rome

Italy's President Oscar Luigi Scalfaro was last night expected in reject an offer of resignation from Mr Romano Prodi, the prime minister, following a traumatic parliamentary debate on the sending of Italian troops to lead a multinational mission in Albania.

But the 10-month-old centre-left government emerged from the debate seriously weakened with its long-term survival in question.

Late yesterday the chamber of deputies overwhelmingly endorsed the despatch of 2,500 Italian troops in Albania. However, the deputies of Reconstructed Communism (RC) refused to beck down from their threat to vote against the government. RC, formed from the hard line of the defunct Italian Communist party, has not been part of the ruling Olive Tree coalition but has supplied votes to ensure the government's majority.

The refusal of RC in toe the line obliged the government to make a humiliating pact with the rightwing opposition to head off defeat in the vote on sending troops to Albania – e move which had become a matter of national pride.

The opposition, led by Mr Silvio Berlusconi, the former premier, insisted the government vote on a motion which it had worded, and asked for Mr Prodi to offer his resignation after the vote to underline the fact that the government had lost its majority.

Opening the debate, Mr Prodi said that if RC voted against the government, "I will go immediately to the head of state and officially inform him of the situation, leaving him to draw his own conclusions". His choice of words left open whether his offer to resign would be formal or informal.

Politicians in the government alliance said last night that President Scalfaro was in no mood to accept Mr Prodi's resignation. Instead, he was likely in be asked to go back to parliament to assess how his government could pursue its programme which includes politically sensitive reform of pensions and welfare.

But given the passions of recent days aroused by RC's stance, it will be hard to patch together e credible egreement on policies. RC has already given warning of its opposition to cuts in welfare and pensions, which are essential to bring the public-sector deficit into line with the single currency criteria.

With no party last night wanting early elections, politicians are also likely to focus on the possibility of a minority government or seek some alliance with parties of the opposition.

Mr Gianfranco Fini, leader of the rightwing National Alliance, said: "The government is like a vase whose broken pieces have been stuck together and thus lost its original value."

Even members of the ruling coalition admitted this was not the best environment for Italy to be leading its first major international military mission.

Italian troops are excepted to start arriving in Albania next week, together with those of seven other European nations. The mission is expected in cost L91bn ($55m) over the next six months.

French telecom rates approved

By Andrew Jack in Paris and Alan Cane in London

The French telecoms regulator yesterdey approved et rates significantly lower than originally proposed the inter-connection charges France Télécom will be able to levy on its competitors in link into the state-owned company's network.

The charges are the most important factor determining the pace and nature of the liberalisation of France's market from the start of 1998, and will be important in the valuation placed on France Télécom, due to be partly privatised in May.

The tariffs will be an everage of 6.09 centimes a minute for calls in any local operator zone typically containing 220,000 subscribers; 12.78 centimes in the 18 transit operator zones; and 17.57 centimes for longer-distance calls. That represents a sharp drop since France Télécom proposals published in a government report last summer of 16, 18 and 26 centimes respectively.

The tariffs do not include the universal service charge – the tariff France Télécom will levy in compensate for its obligation to provide a service in every bome which wants one – which could add up to 2 centimes to each rate.

Mr François Vivier, head of regulation for Britisb Telecommunicatione in France and a member of the French association of alternative operators, the lobby representing France Télécom'e chief rivals, said interconnection fees for 1998 were still higher than those in the UK, though the formula to be used to calculate the charges from 1999 was such he would expect them to fall.

He was concerned the universal service charge had not been included in the present proposals, whicb made the interconnection costs look lower than they really were. Mr Gérard Moine, head of external relations, France Télécom, said: "These tariffs give a good chance to the competition. May the best one win."

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Russians conned by 'tax police'

Fake inspectors trick small businesses into paying fines

By Chrystia Freeland

Taxpayers tbe world over often grumble abont being "robbed" by the tax authorities. But in Russia that complaint has an element of truth.

While the government has boosted its drive to collect taxes, enterprising bandits have taken to forging tax service identity cards and wearing fake uniforms.

In the guise of tax officials, they are taking money from small businesses all over Russia.

Their victims are often reluctant to report the robbery in case they attract the attention of the real taxman and are forced to pay a second time.

The new wave of costumed crime bas *highlighted* the weakness of the distinction between thieves and government officials in the minds of ordinary Russians and revealed how many Russians still allow strangers to behave in a brutal fashion so long as they flash the right documents.

Over the past two months the burghers of Abakan, a desolate town in southern Siberia, have been the victims of at least 13 tax attacks, according in Sevodnya, a Moscow daily.

Dressed in fatigues, wearing masks and armed with tax police identification cards, e seven-man team has been swooping on the homes of wealthy local entrepreneurs and demanding cash as a penalty for unpaid taxes.

In e country where the real tax police tote machine-guns and don body armour, the victims were easily taken in and could vouch for the anthenticity of the beatings the erzatz tax enforcers sometimes meted out.

Even after they discovered they had heen deceived, local police said none of the targets pressed charges, seemingly in evoid the attentions of the genuine tax authorities.

"When a man knows he has committed grave sins, he is probably afraid to turn in the tax police or to the ordinary police for help," Colonel Ivan Sas, at the Moscow headquarters of the etate tax police, observed without particular sympathy.

He said that fake tax officials, playing on the ignorance and guilt of small businesses, had become a new criminal menace across the entire country.

In Tiumen, Russia's oil capital in western Siberia, merchants selling food, drink and consumer goods from street-side kiosks have been the targets of two off-duty security guards.

Driving a battered Moskvich, a rickety car favoured by Russia's under-financed provincial police officials, the two men in police uniforms would demand that vendors eurrender their day's revenues as an on-the-spot fine for improper registration. Victims were even offered official-looking receipts.

In Perm, a city in central Russia, one particularly resourceful trickster alternated between posing as a taxman and a fire inspector. Thousands of miles away, in the mountainous republic of Dagestan in the north Caucusus, investigators troubled by a wave of tax thieves discovered a printing press devoted to producing fake police documents.

Col Sas said the tax police have mounted an information campaign to teach the public how to distinguish between the real tax collectors, who have been known to mount dramatic dawn raids bearing kalashnikovs and clad in face masks, and rohbers.

"We tell businessmen that the tax police do not bave the right to collect taxes in cash," Col Sas said.

However, the officer complained that Russia's rising new entrepreneurial class was slow to learn: "You know, it is people with not the very best education who work on our market today."

Gazprom chief turns to MPs for support

By Chrystia Freeland in Moscow

Russia's most powerful industrial boss yesterday won parliamentary support for his flag-waving accusation thet a conspiracy of foreign companies was behind attempts to break up the country's natural gas monopoly, Gazprom.

Mr Rem Viakherev, its chairman, warned the Communist-dominated legislature that the new cabinet's proposals to restructure Gazprom were part of a foreign campaign to weaken Russia's mightiest corporation. In response, the assembly overwbelmingly backed a resolution that condemned attempts to split up the company.

The episode suggested that Gazprom, renowned for its political skill, has decided to switch its attention in parliament in order to counter the growing influence of reformers in the cabinet.

The appointment last month of Mr Boris Nemtsov and Mr Anatoly Chubais, two powerful liberal first depnty prime ministers determined to do battle with the natural monopolies, has weakaned Gazprom's most important patron, Mr Victor Cbernomyrdin, the prime minister. He ran Gazprom before joining the government.

Addressing the Duma, the lower house of parliament, Mr Viakherev said US oil and gas companies had e vested interest in weakening Gazprom, which is an important participant in the international gas market.

He claimed they were eeeking to pursue tbeir agenda both througb the International Monetary Fund and Russia's finance ministry, which has become a reformist stronghold under Mr Chubais.

Parliament, sensitive to the nationalist appeal of Mr Viakherev'e accusation and aware of wealthy Gazprom's importance in election campaigne, overwbelming endorsed Mr Viakherev's position. MPs passed a resolution condemning foreign interference and claiming that to break up Gazprom "would inevitably lead to the unstable eupply of gas to consumers, the appearance of new monopolists and an increase in gas prices".

Despite Mr Viakherev's warm endorsement by the legislature, observers said his courtship of the Duma was a sign that Russia'e most powerful monopolist is on the defensive.

Its unease coincides with an even more forceful government attack on Unified Energy Systems, the electricity monopoly. Mr Nemtsov, who is leading the campaign, vowed this week to tighten government control over UES and increased the government's representation on the company's board.

The liberal faction further consolidated its position in the cabinet yesterday with the appointment of Mr Oleg Sysuyev, a deputy prime minister, to the additional post of labour minister.

Bonn in jobs pledge to construction industry

By Peter Norman in Bonn

The German government yesterday promised to boost employment in the country's ailing construction todustry by giving small and medium-sized companies a better chance of securing puhlic contracts and cracking down on low-paid foreign labour.

Faced with high unemployment and growing unrest among building workers, the cabinet agreed that the pnblic sector should make more use of two-tier tendering – using a preliminary competitive tender to select a small group of companies to be invited to bid for contracts.

It also urged that big public orders be split into small units so that smaller companies, which employ mainly German workers, would be better eble to compete against big contractors. Mr Klaus Töpfer, federal building minister, insisted tbat two-tier tendering conformed with European Union rules, was in line with the spirit of the EU'e internal market and did not involve discrimination. He cited the Reichstag in Berlin, being rebuilt in the design of Sir Norman Foster, the UK architect, as evidence of the openness of the German public sector in foreign suppliers.

However, the Reichstag site has also been the focus of complaints that the German public sector has not been sufficiently supportive of the domestic construction industry.

In an attempt to prevent further discontent the cabinet yesterday agreed to tough policing of the law introdnced last year to impose minimum wages for the construction industry, reducing the incentive for companies to "import" cheaper labour from countries such as Britain, Ireland and Portugal.

Mr Norbert Blüm, the lahour and social affairs minister, yesterday disclosed thet more than 3,500 officials from the federal labour office and customs service had been assigned to police the law. A swoop on building sites in March revealed thet 160 out of 500 employers were not paying minimum wages to foreign employees.

Mr Blüm urged the courts to take tough action, pointing out thet fines for infringements of minimum wage rules could reach DM100,000 ($59,000) while jail terms of np to five years could be imposed for illegally employing foreign building workers.

The cabinet heard yesterday that the construction sector faced a 1 per cent drop in business this year and would not pull out of recession before 1998.

About 400,000 building workers were jobless in January and February while e similar number of foreigners were estimated to be working on German sites, half of them illegally.

New orders for the industry were down 15 per cent in January compared with January 1996, with puhlic sector orders 38 per cent lower.

EUROPEAN NEWS DIGEST

French aid plan blocked

The European Commission yesterday rejected a French plan for reducing social security contributions in the textile, clothing and leather/footwear industries on the grounds that it constituted illegal state aid.

Brussels indicated last month it was unlikely to accept the plan because it supports only certain sectors – and hence could lead to distortions of the single market – but gave France the opportunity to amend it. Mr Karel Van Miert, competition commissioner, has since held meetings with Mr Jacques Barrot, French social affairs minister, and a new plan is expected in the coming months.

The Commission said it was still prepared in approve initiatives for reducing social costs on employers with the aim of increasing employment, provided they did not favour particular sectors. It recently approved a Belgian scheme, called Maribel 4, to reduce social contributions paid by companies employing manual workers in all sectors, having rejected earlier, more limited, versions. *Neil Buckley, Brussels*

IG Metall seeks 4-day week

Mr Klaus Zwickel, leader of Germany's powerful IG Metall trade union, yesterday proposed a 32-hour, four-day week (with partial compensation of employers through lower wages) to combat the country's high unemployment. His proposal, a radical departure from the union's policy of pressing for shorter hours with no pay cuts, would apply from 1999.

In a speech to the German union federation's "employment summit" in Berlin, Mr Zwickel hinted that wages could be adjusted variably to accommodate the shorter bours in order to secure the biggest possible increase in jobs and to protect the lowest paid. He also suggested thet the federal labour office should contribute funds because its outlays would drop if unemployment fell.

However, his proposal was comprehensively rejected yesterday by employers, who argued that the industry's existing 35-hour week already reduced its international competitiveness. *Peter Norman, Bonn*

Brussels refines research goals

The European Commission is to focus research policy on six areas with the aim of improving the social and economic relevance of EU-funded research end offering more "added valne". Over the next four years, under what is known as the fifth framework programme, it will focus on: resources of the living world; the user-friendly information society; competitive and sustainable growth (for example, by supporting research on clean and smart products and processes with high added value and a competitive edge); international co-operation; innovation and participation of small and medium sized enterprises; and human potential – increasing the quality of researchers, engineers and technicians.

"We have to put money into job creating sectors," said Mrs Edith Cresson, the commissioner responsible for research and education. "We have to look after a number of fields otherwise we are going to lose jobs and orders."

Brussels has yet to propose a budget formally to finance the programme, which will run from 1998 until 2,002, but is expected to request Ecu16bn-Ecu17bn ($17bn-$19bn), compared with the current budget of Ecu13bn which expires in 1999.

A group of experts which examined the issue concluded it was important to develop a programme based on a global strategy instead of the current system which allows national perspectives to colour the arguments in favour of particular projects. *Emma Tucker, Strasbourg*

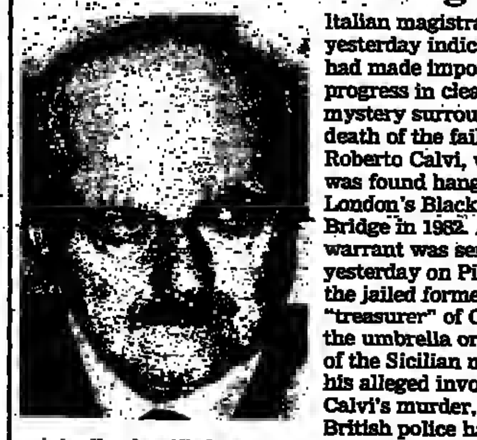
Romania wants loans resumed

The Romanian government yesterday applied to the International Monetary Fund for the resumption of up to $400m in credits. These were suspended last year after the previous administration spent heavily before presidential and parliamentary elections last November.

The IMF board will consider the Romanian request on April 21. Mr Poul Thomsen, its vice-chairman, said yesterday he was encouraged that the government reform programme was on track "and in some areas is doing better than planned". However, the IMF would be looking carefully at the budget, to be presented to parliament today and at the closure or restructuring of industrial and agricultural enterprises as part of the privatisation programme, which is running behind schedule.

Mr Francois Ettori, the World Bank representative in Bucharest, said last week the bank would also treat these measures as "crucial benchmarks" in deciding wbether to proceed with its own loans. *Anatol Lieven, Budapest*

Calvi death arrest sought



Italian magistrates yesterday indicated they had made important progress in clearing up the mystery surrounding the death of the failed banker Roberto Calvi, whose body was found hanging from London's Blackfriars Bridge in 1982. An arrest warrant was served yesterday on Pippo Caló, the jailed former "treasurer" of Cosa Nostra, the umbrella organisation of the Sicilian mafia, for his alleged involvement in Calvi's murder, which British police had originally classified as suicide. Another warrant was issued against Mr Flavio Carboni, a businessman with a long criminal record who organised Mr Calvi's flight to London to avoid the consequences of the impending bankruptcy of Banco Ambrosiano. The warrant was not served on Mr Carboni because Swiss authorities must approve his extradition. Also understood to be under investigation for involvement in the murder are Mr Licio Gelli, former head of the powerful P-2 masonic lodge and Mr Francesco di Carlo, a Mafia boss. These moves confirm the impression thet Calvi was murdered because he fell foul of the Mafia. *Robert Graham, Rome*

French newspapers strike

Many French daily national and regional newspapers will not be distributed today as e result of a one-day strike organised by the CGT print union. The action is in protest against increased postal tariffs for newspapers and a reduction in financial aid to the press contained in the 1997 finance act. It is also a demonstration of frustration at the shift in advertising revenues from the print to broadcast media. *Andrew Jack, Paris*

Greenland votes in local polls

Greenland's social democratic party Siumut swept to victory in municipal elections on Tuesday, according in provisional results published yesterday. It won 83 of the 166 seats, while Atassut (a free market party) won 37, and Inuit Ataqatigiit (socialist) gained 30. Siumut has promised to tackle urgent unemployment and housing problems.

A total of 595 candidates competed for the vote of 55,000 residents, among them 45,000 Inuits, or Eskimos, and 10,000 Danes from the mainland. Nearly a quarter of the islanders live in the capital, Nuuk. *AFP, Nuuk*

Parliament poised to tighten curbs favoured by Brussels

MEPs take aim at car pollution

By Emma Tucker in Strasbourg

The European Parliament was last night poised to back controversial measures that would sharply reduce car pollution in the European Union and radically improve air quality. But the controversial amendments to a Commission proposal for "greener" fuels and tighter curbs on exhaust emissions are fiercely opposed by the oil and motor industries.

Mr James Rosenstein of ACEA, the European car industry organisation, said exhaust vapour from cars would have to be "purer than oxygen" if the industry was to meet certain of the parliament's demands.

Mr Michel Flohic, deputy secretary-general of Europia, the petrol industry association, said the amendments would have no impact on the environment. "They will just mean a huge additional cost for society as a whole."

The parliament has the power to alter substantially, or throw out, proposals adopted by "co-decision" with the Commission. MEPs will take a preliminary vote on the amendments today. They accuse Brussels of giving too much ground to the oil and car industries when drafting the original proposals.

Among the hotly disputed amendments, drawn up under the guidance of Mr Noël Mamère, a French Green MEP, is a proposal to reduce the sulphur level of petrol to 30 parts per million, compared with the Commission's recommendation of 200ppm. He also wants the benzene content lowered to 1 per cent against the Commission's 2 per cent.

For diesel, Brussels has proposed a sulphur content of 350ppm. This compares with the parliament's idea for "clean" diesel of 50ppm and "dirty" diesel of 100ppm, with a tax incentive to buy the former. Both proposals would be phased in over several years.

"The Commission has obviously let itself be influenced by the oil lobby, especially as regards diesel," Mr Mamère claimed. He also accused it of "grossly overstating" the cost of cleaning up fuels.

For cars, disputed amendments include tougher tests on the emissions released when a car is started in cold weather. The Commission proposal does not include the cold weather test, but MEPs argue that this is when emissions are worst. MEPs also want manufacturers to be forced to guarantee the durability of a car for 10 years, against the Commission's proposal for five years.

The amendments are most fiercely opposed by the oil industry. Whereas the Commission's original proposals weighed more heavily on the car industry, the parliament has tilted the balance back. This has caused the two industries to clash over who should shoulder most of the burden of cleaning up the environment. "Vehicle measures have a bigger impact on emissions, it is a fact," said Mr Flohic.

The car industry counters that new technology for reducing car emissions will only work properly if better fuel is going into vehicles in the first place.

"It makes no sense to have this unbalanced approach," said Mr Rosenstein. "A lot of the new car technologies which are coming on stream will not work unless you have lower sulphur fuels."

Kuchma enlists another home-town ally

By Matthew Kaminski in Kiev

Supporters of market reforms in Ukraine yesterday gave a cool reception to the appointment of Mr Sergei Tigipko, a commercial banker, as deputy prime minister for economics.

Mr Tigipko, who has no experience in government, was appointed on Tuesday night by President Leonid Kuchma and inherits a difficult portfolio in the fractious Kiev government.

The appointment prompted charges from opposition members of parliament that the cabinet will again be dominated by close allies of Mr Pavlo Lazarenko, prime minister, former collective farmer and lukewarm backer of an open market.

His predecessor, Mr Victor Pynzanyk, a liberal economist, resigned in frustration last week over political obstruction of the 1997 budget and a controversial structural reform package. Both measures are stuck in parliament. This week he blamed the cabinet for insufficient "political will" and implicitly called for the government's resignation.

The legislative bottleneck has blunted the implementation of tax cuts and a regulatory streamlining that reformers argue must be the prelude to economic revival. The economy shrank by a further 10 per cent last year, the worst performance in the former Soviet Union.

The delay also prevents Ukraine tapping \$3.1bn in foreign assistance for the budget deficit this year, forcing the country to depend increasingly on financing from the domestic treasury bill market.

Mr Tigipko's appointment means that Mr Kuchma, who has openly blamed the prime minister for the economic crisis, has again shied away from bringing down the government. Instead, he has recruited to the government an ally from his home town, Dnipropetrovsk.

The prominent positions attained by natives of Dnipropetrovsk, from where the prime minister also hails, has galvanised opposition from other Ukrainian regions, which have missed out on government jobs and lost the economic privileges that accrue from political power.

Mr Victor Suslov, influential head of parliament's finance and banking committee, said the appointment showed that the "regional factor in personnel politics remains unchanged".

Privatbank, which Mr Tigipko founded in 1992 and turned into Ukraine's largest commercial bank, played a prominent role in financing Mr Kuchma's 1994 presidential campaign.

As in Russia, where financial groups have built up media empires, Privatbank owns a television station and Kiev's largest daily newspaper, giving it substantial influence ahead of parliament elections next year and the presidential poll in 1999.

One MP, Mr Vadim Hetman, commented that the advent of Mr Tigipko marked the start of a "new wave" in Ukrainian politics when leading private entrepreneurs claimed their positions in government.

He added, however, that the new minister might find "fitting in the corridors of powers and co-ordinating economic policy after coming from the periphery an extremely difficult task".

Bringing in the harvest: but arguments rage over risk of genetic modification of maize Glyn Genin

Angry row with MEPs over approval of gene-modified grain

Brussels defends maize ruling

By Neil Buckley in Brussels

The European Commission yesterday denounced as inflammatory an overwhelming call by the European Parliament to suspend sales of genetically modified maize within the EU. It also said it was impossible to implement as last December's approval of the controversial maize could only be withdrawn if new scientific evidence raised questions of safety.

Mr Jacques Santer, Commission president, is to raise parliament's conduct with its own president, Mr José Maria Gil-Robles, and call for a change in procedures to prevent MEPs criticising similar decisions in future.

The row is the second public clash between the two institutions over food safety in two months. In February, parliament imposed a "conditional" censure on the Commission, sharply criticising its handling of the "mad cow" crisis, and giving it nine months to revamp its food safety policies or face a vote to sack all 20 commissioners.

The Brussels executive approved EU sales of modified maize, developed by Ciba of Switzerland, after three scientific committees ruled it safe. But consumer and environmental groups say the maize, genetically manipulated to resist the corn borer pest, could increase human resistance to antibiotics.

Austria and Luxembourg have defied Brussels by banning imports; France has banned its cultivation.

Parliament's resolution accused the Commission of putting commercial considerations above human health. Brussels responded angrily that it had been forced to rule on the maize when EU ministers, who normally have the final say, failed to reach a decision.

Denying parliament's claims that it approved the maize to avoid a trade war with the US – from where most of the maize imports originate – it said it was "only normal" that an important trading partner's concerns should be mentioned in Commission discussions.

Brussels promised last week that future EU approval of new genetically-modified seeds and animal feeds would only be given if they were labelled as such. It could not, however, extend the rule change to products already approved, such as Ciba's maize and Monsanto's genetically-modified soya.

But it emerged yesterday the Commission would try to extend to products containing Ciba's maize or Monsanto's soya labelling rules – coming in on May 15 – for consumer foods containing gene-modified organisms.

All sides hail Spain's job pact

By Tom Burns in Madrid

Business and union leaders in Spain yesterday hailed a national agreement on labour guidelines as signalling a period of industrial harmony, greater job stability and more employment.

Mr Antonio Gutiérrez, leader of the Workers' Commissions, said the agreement was credible "because it is balanced and based on mutual concessions". Mr Cándido Ménendez, who heads the rival UGT labour federation, said the negotiations which produced the deal were "a clear example of social consensus in Spain".

Mr José Maria Cuevas, president of the CEOE, the main employers' federation, said it was "now perceived by all parties" that high dismissal costs led to job insecurity and unemployment. Though some employers have voiced concern that there is still not enough flexibility, Mr Cuevas said most believed the agreement to be positive.

The agreement follows a year of talks and deals with a swathe of industrial relations issues ranging from apprenticeship schemes to collective bargaining procedures. Its core is a trade-off between hiring and firing rules that lowers redundancy costs and encourages more permanent employment.

Mr José Maria Aznar, the prime minister, whose centre-right government encouraged the talks but insisted they be bilateral, said the agreement would create the confidence required to generate jobs.

Generous job protection in Spain – dating from the time of Franco – for those with permanent contracts has crowded new entrants out of the labour market (45 per cent of under-25s are jobless) and fostered a vicious circle of rotating short-term jobs (34 per cent of job holders are hired for a maximum of six months).

The CEOE has accepted a new system of four-year renewable employment contracts for first time job-seekers and for the long-term unemployed. The unions have agreed to lower compensation in cases of unfair dismissal. The agreement also clarifies the rules for "fair" dismissals.

The agreement constitutes an important breach in what have hitherto been regarded as the highest dismissal costs in the European Union. But more importantly, it is seen as a milestone in Spanish industrial relations because it was a negotiated pact.

NEWS: INTERNATIONAL

Hopes for end to deadlock at Mediterranean summit as violence mars Hebron funeral

Forum may give peace a chance

By Judy Dempsey in Jerusalem

An attempt to put the faltering Middle East peace process back on track could take place at a multilateral conference in Malta next week attended by foreign ministers from the European Union and Mediterranean states.

The forum aims to create a framework for political, economic and cultural ties between tbe EU and sontbern-Mediterranean states, including Israel, Syria, the Palestinians and the other Arab countries in the region.

It will be beld against the background of growing violence and unrest in the West Bank, especially in Hebron wbere yesterday hundreds of Palestinians broke away from a funeral procession and rushed towards Israeli forces, throwing rocks at soldiers who responded with rubber bullets.

Diplomats said Mr David Levy, the Israeli foreign minister, would try to use the conference to meet Mr Yassir Arafat, the Palestinian leader. "It could help break the deadlock," a diplomat said, as well as paving the way for a summit between Mr Benjamin Netanyahu, the Israeli prime minister, and Mr Arafat.

A summit could depend on tbe outcome of talks between Palestinian peace negotiators who today continue their discussions with the Clinton administration in Washington. Mr Bill Clinton, the US President, held talks with Mr Netanyahu on Monday whicb were described by diplomats as "cool and very frank". But Mr Clinton "is not prepared to put forward any new ideas about kickstarting the peace talks until he has heard the Palestinian side," a diplomat added.

Diplomats said the longer the delay in restarting talks between Israelis and Palestinians, the greater the danger that the violence, which has swept across parts of the Palestinian controlled-areas of the West Bank, could develop its own dynamic.

"It is not in Arafat's interests to let the violence get out of control," a aenior western diplomat said. "But to contain and end the violence he will require assurances from the Israelis thet they will not continue their unilateral steps at expanding Jewish settlements."

However, Mr Netanyahu was etanding firm on his decision to allow a new Jewish settlement to be built at Har Homa in Arab east Jerusalem, he added.

Palestinian policemen shout for belp for a comrade injured by a stone in Hebron yesterday. Israeli troops woonded about 30 Palestinians in e second day of clashes *Reuter*

Israel seeks closer trade ties to Turkey

By John Barham in Ankara

Mr David Levy, Israel's foreign minister, wound up a two-day visit to Turkey yesterday saying ties between the two countries had grown closer in spite of a frosty reception from Mr Necmettin Erbakan, Turkey's Islamist prime minister.

Mr Levy said "both countries have taken a decision to develop economic relations. Prime Minister Erbakan also wants this. We are developing relations [rapidly] and this is bringing big benefits to both sides."

Mr Erbakan grudgingly consented to see Mr Levy on Tuesday, but criticised Israel's policies in Jerusalem and the occupied territories. Mr Levy wants to strengthen political and military links with Turkey, in spite of Mr Erbakan's hostility, and complement them with bigger trade and investment flows.

Turkey's powerful military and foreign policy establishments have forced Mr Erbakan, a fierce critic of Israel while in opposition, to maintain close political and military ties with Israel after he took office last summer.

Turkey's secularist military admires Israel's military prowess and sees it as a lever in its struggle against Mr Erbakan's Islamists. Israeli officials emphasise Turkey's geostrategic importance, fearing it could spread instability throughout the region if the Islamists grow in power. A stable, secularist Turkey however, would help Israel build bridges to the non-Arab Moslem world.

Mr Erbakan has implemented a military co-operation agreement decided by Turkey's previous secularist government. He approved a $650m contract for Israel Aircraft Industries to upgrade 54 Turkish Phantom fighter bombers. The governmant also approved a free trade agreement under which Turkey and Israel will remove barriers to trade by 2000.

Turkish and Israeli analysts say both sides want to broaden the relationship by strengthening trade and investment flows. An Israeli diplomat said: "The relation with Turkey is based on two legs, one military and one political. The target is to [add] a third, trade and investment leg."

He said strong commercial ties would be less sensitive to potential upheavals in the diplomatic sphere. Ten senior Israeli executives who travelled with Mr Levy said this "shows Israel's interest in Turkey. Investment by both countries' private sectors will increase."

Bilateral trade was only $448m last year, although Israeli touriete spend another $250m-$300m a year in Turkey. Jerusalam expects trads flows to exceed $2bn by 2000.

> 'Israel's relation with Turkey is based on two legs, one military, one political. The target is to add a third, trade and investment.'

Israel sees Turkey as a big market in its own right and as a gateway to potentially rich markets in central Asia. Turks hope to increase exports of textiles and clothing to the US by piggybacking on Israel's preferential trade agreements.

Mr Seyfi Taşhan, head of Ankara's Foreign Policy Institute, said: "Israel is the only Mediterranean country with which Turkey has e free trads egreement. Economic issues [are] the main subject of Levy's trip." Issues such as combatting Kurdish and Palestinian guerrilla movsments had slipped down the agenda.

Israelis accused of 'deportation' policy

Palestinians say they are being denied the right to live in Jerusalem, writes **Judy Dempsey**

Every day a stream of people, mostly women with young children, enter the Centre for Stndies of Civil and Social Rights, an annexe to Orient House, the Jerusalem headquarters of the Palestinian peace negotiating team.

They sit patiently, waiting to present their cases to Mr Azmi Abn Suood, the director, and his team of lawyers.

The cases are all the same. "My clients have been refused the right of residence in the city where they were born or are trying to seek family reunification in Jerusalem," explained Mr Suood.

In recent months, the numbers seeking help have swelled. Mr Suood's office is dealing with 1,500 cases following new regulations issued by the Israeli interior ministry which human rights organisations claim amount to "the quiet deportation" of the 170,000 Palestinians from east Jerusalem.

"For the past 18 months, following the implementstion of Israel's new policy on residency, hundreds, if not thousands of Palestinian residents of east Jerusalem have lost their right to live in the city," said Ms Yael Stein, one of the authors of a report published this week by B'Tselem and HaMoken, the Israeli Information Centre for Human Rights in the Occupied Territories.

These policies have their roots in the 1967 Six Day War, when Israel annexed east Jerusalem. Israel then declared that any residents wanting Israeli citizenship were entitled to it, provided they relinquisbed citizenship of another country.

Most Palestinian residents did not request citizenship. That would have legitimised the annexation. Instead, they were granted Israeli identity cards giving them the right to reside in Jerusalem, the city of their birth.

These regulations were amended in 1985 but not strictly applied until recently. They stated that whoever lived outside Israel for more than seven years would lose the right to residence in Jerusalem. Palestinians who left and settled abroad – and this inclnded the occupied West Bank – or obtained another citizenship also lost the right to residence.

"After 1967, many Palestinians were forced to work or study abroad," said Mr Suood. "Many came back regularly to renew their residence permits."

The law was challenged by Mr Mnbarak Awad, a Palestinian buman rights activist and US citizen who in 1988 appealed to Israel's Supreme Court against a decision to cancel his residence permit because he had exceeded the seven-year limit. He lost his appeal and had to leave Israel.

As a result, Palestinian holders of foreign passports were told to choose between their foreign citizenship or their permanent residence status in Jerusalem. Israelis, meanwhile, retained the right to hold more than one citizenship and live as long as they liked abroad, including the West Bank, a policy B'Tselem says is discrimination.

The law extends to family reunification. If Palestinian parents have Jerusalem residence but the child is born outside Israel, even in the West Bank, the parents have to apply to the Israeli interior ministry to have the child registered in Jerusalem. The parents often hit a Kafkaesque obstacle particularly following a batch of new regulations issued recently by Israel's interior ministry whereby officials can revoke residence permits and refuse family reunification if the individual's "centre of life" bas moved "outside of Israel".

The ministry says that people who have lived several years outside Jerusalem, even those wbo had returned to renew their permits, have moved their "centre of life" elsewhere. Their right to live in Jerusalem has "automatically expired". This regulation now embraces Palestinians who lived outside the city for less than seven years even if they had not become a citizen or permanent resident of another country.

Mr Suood said ministry officials check "the centre of life" of east Jerusalem Palestinian residents, insisting on scrutinising leases of houses, payments of city taxes, place of education and national insurance payments which must go back several years.

The ministry, for example, issues Israeli identity cards to spouses five years after approval for family reunification, making sure in the interim that the couple's "centre of life" is in the city.

Israel's interior ministry insists it is not revoking residency status of east Jerusalemites. Instead, relying on the 1988 Supreme Court ruling, it says "when a person uproots the centre of his life from Israel and establisbes it elsewhere, in reality the centre of his life is no longer in Israel". Tbe ministry claims the controversy over residency has become an issue now, "because many people who left Israel years ago are coming back since the peace agreements have been signed".

Human rights groups refuse to accept that interpretation. "What is taking place is a quiet deportation. It is a direct continuation of Israel's overall policy in east Jerusalem since 1967 whose goal is to preserve e permanent majority of Jews in the city so that Israel's sovereignty in east Jerusalem cannot be challenged," said Ms Stein.

NEWS: WORLD TRADE

Brazil's tariff boost for phones

By Geoff Dyer in São Paulo

Brazil is to eliminate tariffs on imports of telecommunications components in an attempt to boost domestic production of mobile telepbone equipment ahead of an expected boom in demand thet will result from the privatisation of cellular services later this year.

The government also announced that the National Development Bank (BNDES) would extend new long-term loans to domestic manufacturers of telecommunications equipment.

The moves reflect the government's concern that the sale of cellular phone concessions to the privete sector could prompt a significant jump in imports of mobile phone equipment, aggravating its widening trade deficit.

Mr Antoniô Kandir, planning minister, said: "The government is not trying to give more protection to this sector of industrial production, but it is creating conditions for it to become more efficient".

Mr Sergio Motta, minister for communications, said last week he expected the number of cellnlar phone users to rise from about 2m now to nearly 10m by 1999, as a result of privetisation. The lack of investment in the telephone infrastructure has led to a buge pent-up demand among Brazilian consumers.

The telecommunications sector accounted for $1.5bn of the $5.5bn trads deficit Brazil recorded in 1996. The forecast deficit for this year of about $10bn, which is a source of increasing concern to the government, could worsen if there is a surge in cellular phons-related imports.

The government is drawing up a list of 100 components for telecommunications equipment sucb as radio base stations, which will have their import tariffs of sbout 20 per cent reduced to zero.

Toshiba sued in patent dispute

By Michiyo Nakamoto in Tokyo

Tosbtbe, one of Japan's largest semicondnctor manufacturers, is being sued by a US business for allegedly infringing a patent.

The lawsuit brought by Li Second Family in the US alleges that the Japanese company infringed Li's patent filed in the US in 1990, covering technology to prevent electron current leakage in semiconductor chips. Toshiba said yesterday it did not believe it was infringing Li's patent and said it would defend the case.

Li filed the suit at Virginia District Court against Toshiba America and Toshiba America Electronic Components.

Legal action by US semiconductor makers against Japanese competitors has been on the decline since the 1970s and 1980s when many Japanese semicondnctor makers were targeted by US companies amid mounting trade tensions.

As the technology for manufacturing semiconductors has become more complicated it has become difficult for one company to try to develop all tbe technologies on its own. This has led to a growing number of cross-border alliances batween manufacturers, leading to fewer patent wars.

Toshiba has been collaborating with IBM, Motorola and Siemens in the development of 256-megabit dynamic random access memory chips while Hitachi has linked with Texas Instruments in 256-megabit development.

Meanwhile, a recent shift in the business environment has meant that US and European semicondnctor makers which have strength in logic chips are doing well, while Japanese semiconductor makers which are more dependent on memory chips bave suffered from the downturn in memory prices.

Samsung leads drive into eastern Europe

By Stefan Wagstyl and Anthony Robinson in London

Samsung has become the first Asian company to invest in the former Soviet bloc through the European Bank for Reconstruction and Development.

Tbe South Korean industrial group is one a number of Asian companies forging closer links with the EBRD which was set up in 1991 to facilitate the transition of centrally planned economies to the market and channel finance to the former communist bloc. Previously Asian companies have been cautious about involvement in the region.

"We are now getting calls on a daily basis from Asian banks and companies who are showing a special interest in projects in central Asia and the eastern coastal regions of Russia," said Mr Raymond Conway wbo arranges external financing at the bank.

Samsung has formed an Ecu320m ($373m) partnership with the EBRD to invest in industrial joint ventures in eastern Europe and the former Soviet Union. A co-operation agreement was signed this week between the bank and the Export, Import and Investment Insurance department of Japan's Ministry of International Trade and Industry. "This agreement lays the foundation for closer co-operation between our two institutions in providing funds for projects in the region," said Mr Jacques de Larosière, EBRD president.

The co-operation between EBRD and Samsung will include electronics, home appliances and telecommunications.

The partnership follows similar agreements between the EBRD and European and US groups, including Danone, the French foods group, and Honeywell, the US electronic control equipment maker.

South Korean groups have recently targeted eastern Europe for investment, led by Samsung's rival Daewoo which has pledged to invest $1.1bn in the Polish motor industry.

Mr Ron Freeman, the EBRD's first vice-president, said the bank had chosen Samsung because of its "hugely successful track record in many sectors". Mr Cegill Shin, president of Samsnng Europe, said: "Samsung is keen to invest in central and eastern Europe and plans to become one of the region's leading companies by tha beginning of the next century."

The EBRD will invest Ecu150m in the partnership, or about 35 per cent of the total, with Samsung putting up the rest. Most investments will be in joint ventures and existing companies, though a few will be greenfield schemes.

Madras revs up to achieve car ambitions

Tamil Nadu state is profiting from India's liberalised industry policy, writes **Mark Nicholson**

Madras in India'e southern state of Tamil Nadu used to call itself proudly – but dubiously – the "Detroit of South Asia". Now, suddenly, it really looks like laying claim to becoming the Indian snb-continent's "Motown".

The "Detroit" tag sounded exciting when Tamil Nadu developed its motor vehicle parts industry decades ago in the days of India's industrial licensing system.

But in fact – while companies in the state make a third of India's car components – almost all finished cars are still made in Maharashtra State or Delhi.

This, though, is changing swiftly in the India of the deregulated 1990s.

Four years after India's vehicls sector was delicsnsed, Tamil Nadu's car industry is perhaps the most spectacular result of the race between states to ettract foreign investment and develop new industries.

Tamil Nadu does not yet produce one finished car. But within three years new production lines near Madras will roll out 244,000 a year. Early next century that figure may double, particularly if Toyota joins Ford, Hyundai and Mitsubishi in making Tamil Nedu the springboard for entering India's liberalised car industry. Toyota, yet to settle on an Indian partoer, has already ehortlisted Tamil Nadn as a production base.

The drive south began in February last year when Ford, the US carmaker – in a 50-50 joint venture with Mahindra & Mahindra, the Maharashtra-based Indian tractors and utility vehicle maker – selected Tamil Nadu from among seven prospective sites for its Rs15bn ($418m) and 100,000-capacity greenfield plant to make Ford's Fiesta model.

Hyundai of South Korea followed in July, announcing plans to set np a wholly owned subsidiary in Madras to produce its Accent model in a $700m, 120,000-capacity unit. Hyundai says it will invest a furthsr $400m to expand capacity to at least 200,000 cars, making it the company's biggest overseas plant and an export centre.

A month later, Hindustan Motors, the indian carmaker, announced plans to make 24,000 Mitsubishi Lancer saloons a year under licence from the Japanese company. It is adding an $80m factory to an existing plant making earthmovers in a venture with Caterpillar of the US.

Motor vehicle ancillary companies are following. "I don't think anywhere else in the world at this point offers this level of opportunities to the British component industry," says Mr Bernard Flatley, International trade manager for the British Society of Motor Manufacturers and Traders, recently on reconnaissance in Madras.

Glassmakers Pilkington of the UK and St Gobain of France last year announced plans to invest more than Rs5bn ($140m) each in auto-glass and float glass plants near Madras.

The infrastructure arm of the Mahindra group, meanwhile, has begun developing 450 acres of a 1,250-acre site near Madras for a vehicle ancillary business park. This is an $80m project designed to house up to 300 manufacturing units. Hyundai also says it expects to bring "a dozen" Korean component companies to Tamil Nadu.

India's traditional motor vehicle centres are:

- Pune in Maharashtra State, home of Telco, the indian carmaker; and
- Delhi, where Maruti, the 50-50 joint venture between Suzuki and the Indian government, was established in the early 1980s. Maruti currently sells 80 per cent of India's passenger cars.

But while Honda of Japan recently decided to build its new plant near Delhi, the traditional vehicle centres have faced growing pressure from rival regions since India's liberalisation began in 1991. Liberalisation removed central controls on the direction of investment and encouraged state governments to create their own investment climates.

Tamil Nadn has been among the most aggressive states. Mahindra Ford, says Mr John Parker, the managing director, found "a driving hunger" in the state to attract the Fiesta plant, then India's biggest inward car investment.

Competition for the Ford plant encouraged Tamil Nadn to create a new category of "super mega-projects", to which they offered heavy exemptions on state-levied sales taxes, on both locally made inputs and finished units.

But the big carmakers arriving in the state all say it took a combination of factors to tempt them south, factors offsetting the fact that two-thirds of India's car market lies in the north.

Infrastructure was chief amoug them. Tamil Nadu has one of the best powsr snpply positions of any Indian state. Vitally for the carmakers, which will be importing components while also planning to source components locally and export cars from India, Madras port is at present less clogged than Bombay.

Another factor mentioned by all three carmakers was the relative speed and efficiency of the Tamil Nadu Industrial Development Corporation (Tidco) and the state's bureaucracy – Hyundai applied for and secured its 550-acre site in just 12 weeks.

Other factors were the state's good labour relations and a better than Indian-average supply of skilled engineers from local colleges.

But central to Tamil Nadu's success is its network of components makers.

The new influx of foreign manufacturers makes India's car market look overcrowded in the near term: capacity is set to rise from about 350,000 cars today to above 1m by 2000. In such competitive circumstances, the newcomars believe success depends on launching new cars with the highest possible local content.

Hyundai and Ford expect to launch their cars in [illegible] and 1999 respectively with 65-70 per cent of the parts locally manufactured.

"It's quite clear India is going to be long-term a very significant market," says one foreign car executive. "The question is how you get presence without losing your shirt. For that, you've got to have high local content right up front."

India: car manufacturing

Company	Current capacity ('000)	Planned increases by 2001 ('000)	Li[illegible] ($m)
Existing manufacturers			
Maruti Udyog	300	150	550
Hindustan Motors (HM)	65	24	80
Premier Autos (PAL)	30	30	130
DCM Daewoo	72	110	1,000
PAL-Peugeot	30	30	180
HM General Motors	25	100	100
Telco-Mercedes	5	15	100
Proposed projects			
Telco	0	150	475
Mahindra & Mahindra-Ford	10*	100	420
SBL-Honda	0	30	300
Hero Group/BMW	0	20	340
Hyundai	0	120	700
TOTAL	537	879	4,375

* To produce Ford Escorts in Maharashtra

Source: Association of Indian Auto Manufacturers, Caspian

NEWS: THE AMERICAS

Warning to White House on budget

By Gerard Baker in Washington

The White House and Republican-controlled Congress must reach a budget agreement within the next week or the congressional leadership will press ahead unilaterally with its tax and spending plans, e leading Repubbican congressman warned yesterday.

Mr John Kasich, chairman of the House budget committee, said negotiations between the two sides, which began again in earnest this week, must yield positive results quickly. He said Republicans would move forward with their own budget proposal "if we do not get something worked out by next week".

Any deal would in any case simply be a "first step" towards achieving agreement on a plan to balance the federal budget by 2002.

The warning, designed to increase pressure on the White House, came shortly after news of the first substantive breakthrough in the talks since they stalled two months ago. White House and congressional negotiators confirmed President Bill Clinton had offered to include in his bodget further savings in spending on Medicare, the health insurance system for the elderly.

In his initial budget plan, unveiled in February, Mr Clinton proposed $100bn cuts in Medicare spending over five years. The non-partisan Congressional Budget Office, however, estimated that the specific proposals would reduce Medicare spending by just $82bn.

On Tuesday Mr Franklin Raines, director of the White House Office of Management and Budget, told congressional leaders that the president had eccepted the CBO's figures and would find an extra $18bn in reductions, mainly through further cuts in payments to health-care providers.

Republicans, however, want further cuts in health spending and there are two other key areas of contention. Congressional leaders are pressing for greater reductions in taxes than those proposed by Mr Clinton, and disagreement remains over the economic assumptions – continuing growth, falling interest rates and low, stable inflation – implicit in the president'e budget.

If negotiations fail to be resolved in the next week, Republicans will be forced to fulfil their commitment to construct their own budget.

This may prove as tortuous as the protracted talks with the president as the party is sharply divided on many aspects of its tax and spending programmes.

Good times roll again for print industry

As the US newspaper industry handed out its annual awards in the shape of the Pulitzer Prizes at the start of this week, newspaper editors around the country could be forgiven for feeling an extra rush of pride.

In the early 1990s, with advertising spending tumbling and daily newspapers closing at the rate of nearly 20 a year, the bnsiness seemed on a downward slope. Investors were pouring their money into development of newer forms of interactive, multi-media entertainment and the expansion of cable television.

Like other low-tech forms of media that rely on advertising – from broadcast television to radio stations – newspapers had fallen beavily out of fashion on Wall Street.

The wheel has now turned full circle.

Broadcast television has rebounded to become the most profitable part of the US entertainment business. The lowest-tech advertising medium of them all, the billboard, is enjoying a boom in spending. Newspapers have become hot properties again.

Just how far things have changed was made apparent at the end of last week. Knight-Ridder, already the owner of prestige titles such as the Miami Herald and Philadelphia Inquirer, agreed to spend $1.7bn on four additional dailies. That, and a plan to sell its database business, put the finishing touches to a reversal of the diversification strategy it had embarked on in the 1970s.

Knight-Ridder's decision to go back to its newspaper roots echoes forces at work elsewhere in the industry. Dow Jones, owner of the Wall Street Journal, is being urged by some shareholders to reconsider its investment in Telerate, the on-line information service it bought in the late 1980s as a way of reducing its dependence on print.

The Journal's profit margins bave climbed steadily this decade, while Telerate has slumped.

There is a clear model for both companies in the shape of Gannett, the country's biggest newspaper publisher and owner of USA Today. Having avoided the fashionable divsrsification route, Gannett can now boast operating profit margins of more than 25 per cent from its collection of newspapers and television stations.

The relative prosperity of the mid-1990s, though, still marks a decline from the mid-1980s, a time when daily newspaper readership was 8 per cent higher and profitability stronger.

"It was a tough first half of the 1990s," says Mr Michael Fancher, executive editor of the privately owned Seattle Times, which has just carried off two Pulitzers. Advertising income has been "up and down", while "the roller-coaster of newsprint prices hasn't helped," be adds.

A 40 per cent rise in newsprint costs in 1995 – followed by a 30 per cent drop last year – has underlined just how susceptible the industry is to commodity prices.

The Seattle Times is also typical in having raised its cover price 18 months ago to offset higher costs, only to see its circulation slip. Even without that, the newspaper's sales have failed for some time to grow in line with the city's population.

"You certainly can't call newspapers a growth business," says Mr Robert Broadwater, a managing director at Veronis Subler, an entertainment indnstry consultancy firm. "But the franchises of these papers have proved very difficult to dislodge."

That points to the underlying strength of the industry. Like the US's traditional broadcast television networks, newspapers have seen a steady decline in their eudience. But, also like the networks, the metropolitan dailies which make up the core of the US newspaper industry still attract commanding audiences.

About three out of every five American adults still read a daily newspaper, roughly the same proportion that watches one of the television networks.

Despite the gradual decline – four out of five adults read a daily newspaper in 1970 – this is still the sort of mass audience that attracts advertisers. After falling in the recession of the early 1990s, spending on newspaper advertising has been growing steadily again, if not at quite tha pace of the 1980s.

Two things could disturb this generally healthy picture in the next few years.

One is the highly cyclical nature of classified advertising, which has been behind the industry's mid-1990s recovery.

With the US now six years into an economic expansion and interest rates on the rise, the risks of an economic downturn – and a fall in classifieds – are that much greater.

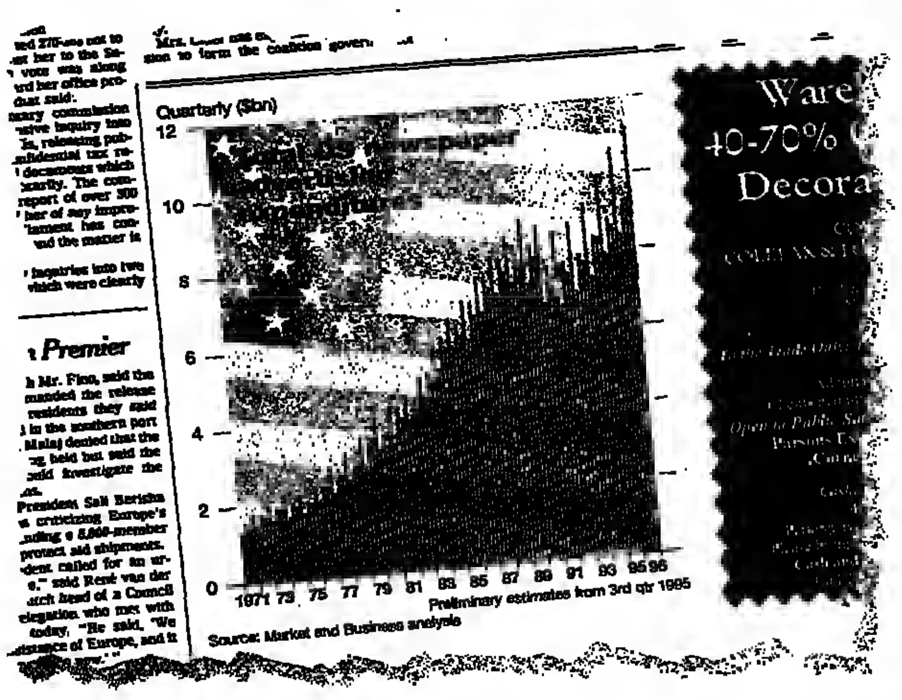
The second immediate danger comes from the emergence of competition aimed largely at this $15bn classified advertising market. Many US cities now bave weekly entertainment and listings guides set up to tap this business, some of them on-line.

For the Seattle Times, the eoemy ie clearly in sight. Microsoft, whicb plans a series of Internet-based local entertainment guides for the US's biggest cities, bas already launcbed its first, Seattle.Sidewalk.

Ironically, a slump in classifieds could be just the thing to belp the newspapers bold their ground against these new arrivals. "In a recession, in a local economy, those advertising dollars dry up," says Mr Miles Groves, chief economist of the Newspaper Association of America – in the process undermining businesses set up solely to tap that part of the advertising market.

That suggests success for the newspapers will come the way it always has: from digging deeply enough into their local communities to survive the industry's ups and downs.

Richard Waters



AMERICAN NEWS DIGEST

Debt write-off for Guyana

Five of Guyana's bilateral creditors have writteo off $395m of the country's $2bn foreign debt, and the government is seeking a write-off of $136m more from other creditors. The move will significantly reduce the $110m the country spends eacb year on servicing foreign debt, according to government spokesmen.

Trinidad and Tobago, Guyana's largest creditor, has written off $359m of the $536m it is owed. Germany has cancelled $18.9m, while the US has cancelled $15m owed under a housing investment guarantee programme and to the US Export/Import Bank. Norway has cancelled $1.6m and Sweden has written off $500,000.

Guyana bopes France, the Netherlands, the United Kingdom and Denmark cancel $136m of the $226.8m it owes. *Canute James, Kingston*

'Stealth' fighter unveiled

Lockheed Martin yesterday unveiled its oew radar-avoiding "stealth" fighter for the US Air Force. The F-22 jet will be known as ibe Raptor, and the USAF plans to buy 442 of the aircraft at a cost of about $75bn, with the first aircraft entering service in 2002.

Built largely of titanium and composite materials, the F-22 will replace the F-15, the current top US fighter, and is designed to dominate air battle space by engaging enemies with long-range missiles before it is even detected. The aircraft will also be able to cruise at supersonic speeds without using after-burners, increasing its range.

However, the high cost of the programme, wben taken with a similar amount being spent on US Navy F/A-18 fighters and the proposed $100bn Joint Strike Fighter, is causing concern that the US will be unable to afford its planned purchases. *Bernard Gray, Defence Correspondent*

GE, Dow Chemical settle row

General Electric and Dow Chemical yesterday resolved a legal dispute over staff poaching that bad threatened to turn into an ugly courtroom battle between the two US manufacturing giants.

Dow bad accused GE of hiring a number of engineers, salespeople and others from its plastics business in order to gain access to its trade secrets. GE, for its part, rejected the claims and said all recruits were asked to sign an agreement that they would not disclose the commercial secrets of their previous employers.

They did not disclose details of the settlement but said it did not involve payments. *Richard Woters, New York*

Los Angeles' mayor finds a second wind

By Christopher Parkes in Los Angeles

Mr Richard Riordan won two victories in this week'a mayoral elections in Los Angeles, one for himself and one for the second biggest city in the US.

In spite of his reputation as a political flat-foot, tha incumbent mayor made light work of fending off the challenge for his job from Mr Tom Hayden, a radical activist of the 1960s, with an estimated 60 per cent of the vote.

Yet whatever satisfaction Mr Riordan may draw from winning another four years in City Hall, it is bound to be tempered by the knowledge tbat his term's work is unlikely to bensfit much from the slectorate's approval of a proposal to reform the city's 72-year-old constitution.

He donated more than $500,000 in support of the campaign for the initiative, and the appointment of a commission which is likely to take longer than the mayor's second term to present and implement its proposals.

But reform, political analysts say, is essential to relieve the administrative gridlock threatening Los Angeles.

The LA City Charter, drawn up in 1925 in response to voter disillusion with corruption in high places, dispersed power and political accountability to such an extent that the mayor's office was left with little more than a symbolic role in many key areas of civic management.

Padded with amendments, the charter has since grown from 100 to more than 700 pages. However, the foment of grassroots political activity and debate which fostered the charter has faded to a fizzle, as muted media election coverage and Tuesday's estimated 20 per cent turnout of sligible voters demonstrated.

Mr Riordan's contacts – hs is a retired commercial lawyer – and his negotiating skills have served him well in business-related dealings. But he has had less success in street-level politicking.

Failed efforts to privatise city agencies, the airport, and contract out services heve long fired criticism of his feeble political skills.

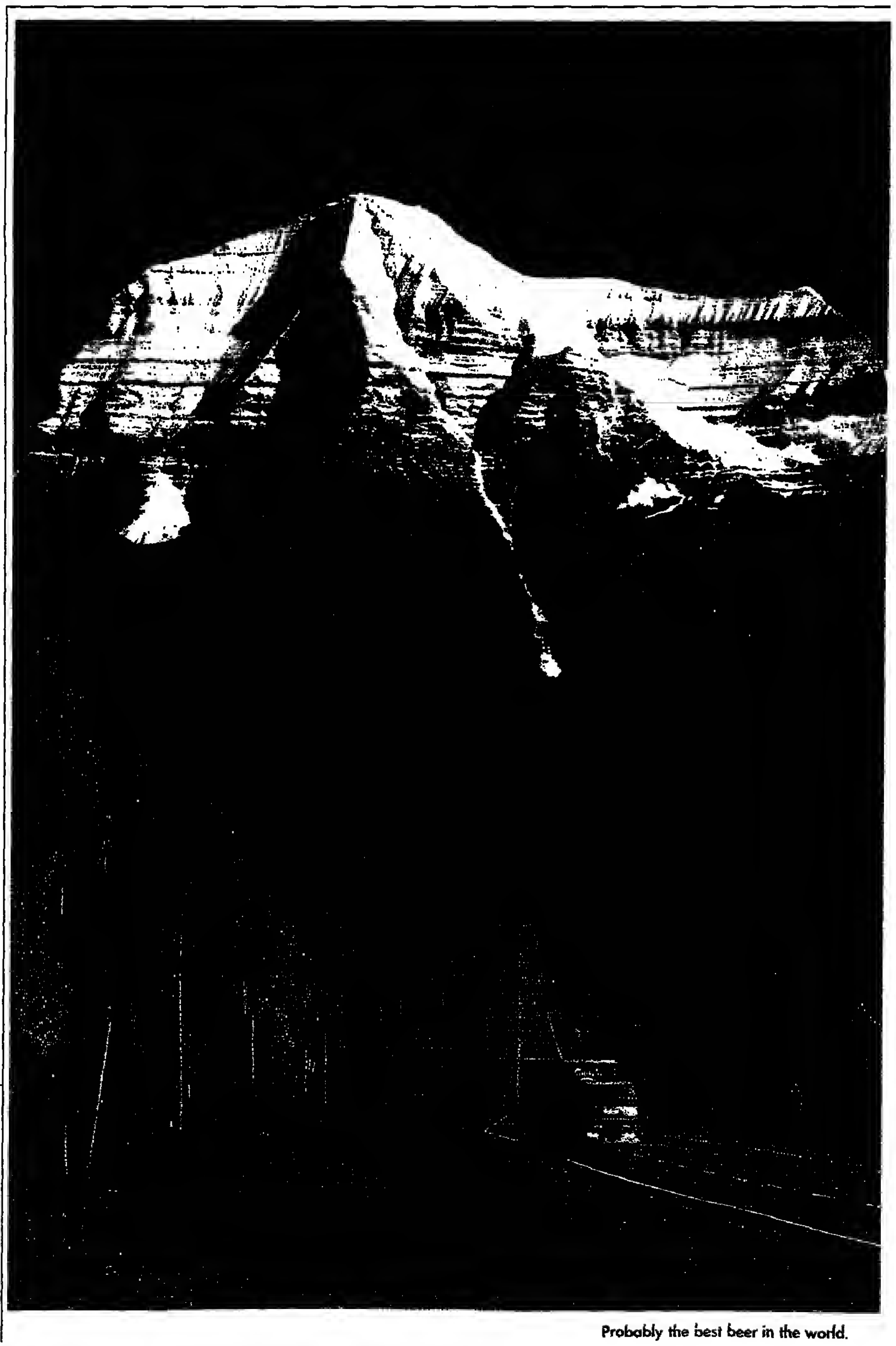
But his record, enhanced by Mr Hayden's failure to force him even to break into a jog in the mayoral race, has shown Mr Riordan's political reputation may be in need of review.

His businesslike approach has deepened his appeal among voters who bave become aware of bow ill-served the city is by its ancient charter.

The chief executive of the transport authority quit last December complaining of political interference and infighting, and the job is not yet filled. A new police chief is needed to replace Mr Willie Williams, whose authority was undermined by sniping from the city council and the police commission.

A confused, politicised debate is under way over the appointment of a new head of the education authority, while the Department of Water and Power and the LA Harbour administration are looking for new chiefs.

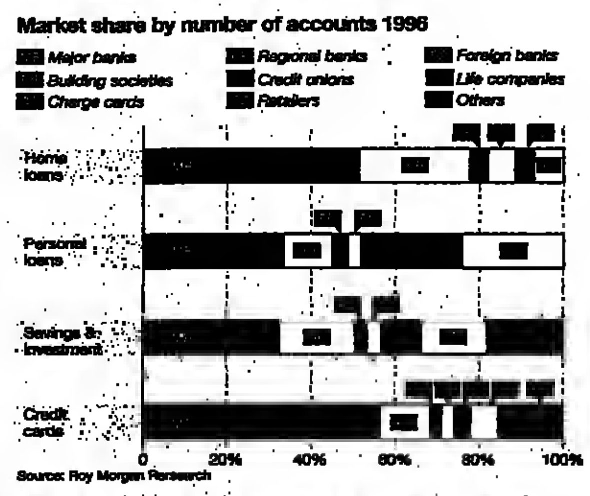
Ons conclnsion to be drawn from all this is that Los Angeles needs more stahle management. Charter reform is unlikely to provide it. But an orderly set of managerial guidelines, with appropriate political checks, is, to judge by Mr Riordan's victory, what this muddle-headed city wants.



Canberra cautious over call for financial reforms

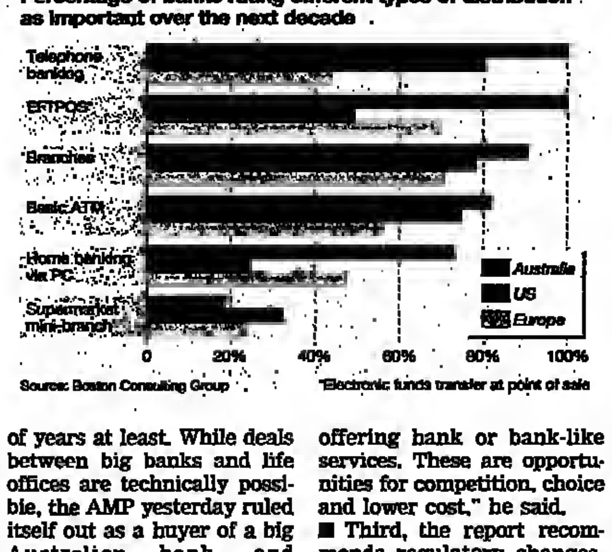
Battle for Australia's cash

Market share by number of accounts 1996



Source: Roy Morgan Research

Percentage of banks rating different types of distribution as important over the next decade



Source: Boston Consulting Group

*Electronic funds transfer at point of sale

The last time an Australian government commissioned a report into the financial system, it paved the way for the currency to float and for foreign banks to move in.

When Mr Peter Costello, Australia's ambitious federal treasurer, was asked how the "Wallis Report" – released yesterday – compared in significance with previous reports, his response was slightly restrained. "The floating of the dollar [in 1983] and the liberalisation of capital flows was obviously very dramatic – but it was a once-only thing," he said. "This is the most far-reaching reform since then."

Analysts are inclined to agree. The 771-page Wallis Report was quickly categorised as an important evolutionary step, assuming the government accepts the bulk of its 115 recommendations. But opinions are divided on whether it will lead to radical change.

The report's recommendations are in three categories:

■ First, on mergers, it recommends abolition of the "six pillars" rule, which prohibited mergers between Australia's four national banks and the two big life insurers.

It also suggests bank and insurance mergers should be assessed solely by the Australian Competition and Consumer Commission (ACCC).

A ban on foreign takeovers of big banks should be removed, but it adds: "Large-scale transfer of owoership of the financial system to foreign hands should be considered contrary to the national interest".

This is the one part of the report to which Canberra has already responded – and it has toned down the suggestions. The "six pillars" rule is abolisbed but mergers between big banks will still not be permitted for the time being. This constraint will be reviewed when "competition from new and established participants in the financial industry, particularly in respect of small business lending, has increased sufficiently".

The treasurer, meanwhile, will retain powers to reject mergers – meaning the ACCC will not be sole arbiter. On the foreign investment front, the blanket prohibition will go, and proposals will be assessed case by case.

Mr Costello said this was a "timing" issue: "The government didn't want to see a situation where four banks could conceivably go down to two in a short period of time – before we put in place measures which would allow new deposit-taking institutions to form."

But the upshot is likely to be the *status quo* for a couple of years at least. While deals between big banks and life offices are technically possible, the AMP yesterday ruled itself out as a buyer of a big Australian bank, and National Mutual is already controlled by France's Axa.

On foreign investment, Mr Costello is ambivalent over whether one of the big banks could actually pass into overseas control: "An application would be carefully considered in relation to the national interest."

■ Second, the Wallis report recommends changes to open up the banking system to new players, and encourage formation of financial conglomerates. For example, it suggests the right to issue cheques be extended; access to clearing systems be liberalised; fees be set without government intervention; and holding company structures be permitted.

In particular, mutuals such as credit unions and building societies should be allowed to act as banks and hold all classes of licences. (They are currently barred from owning banks on prudential grounds, because of limited access to capital).

Here, the government's official response will not be known for at least a month. But the treasurer plainly hopes recent experience in the home loans market, where new entrants have driven down lending rates, can be repeated. "Let's see if we can get more mutuals and insurance companies offering bank or bank-like services. These are opportunities for competition, choice and lower cost," he said.

■ Third, the report recommends regulatory changes. One new "mega-regulator" would combine the market integrity and consumer protection roles of the Australian Securities Commission, the Insurance and Superannuation Commission and the Australian Payments System Council. A second would be established to look at prudential regulation across the entire financial services industry.

This latter move would significantly diminisb the Reserve Bank's current role as the prudential regulator for the banking system. But Mr Costello, like the Wallis report, thinks such a structure would be more efficient and inspire new entrants.

"With one prudential regulator, a deposit-taking institution could grow all the way from credit union to bank, moving across the spectrum of risk," he said. "I think it would be a major achievement if, via a system like that, you could encourage new deposit-takers and grow them."

The central bank is not so enthusiastic. Its submission to the Wallis inquiry claimed that loss of bank regulation could make monetary policy less effective, while its systematic oversight role might ha adversely affected.

Nikki Tait

Seoul to support bid for membership □ Cash needed to develop power grid

North Korea seeks to join ADB

By Peter Montagnon, Asia Editor, in London

North Korea is seeking to join the Asian Development Bank (ADB) as a means of raising the money needed to rebuild its infrastructure and reverse seven consecutive years of economic decline.

Its move represents a further tentative opening by one of the world's most isolated dictatorships as it wrestles with an increasingly urgent problem of hunger as well as the consequences of a further 3 per cent fall in economic output in 1996.

The ADB said in Manila that North Korea had expressed interest "in opening a dialogue with a view towards pursuing membership in the bank". In Seoul, the foreign ministry said this week it would support North Korean membership.

Though not on the official agenda, the issue is likely to become an informal talking point when top financial officials from Europe, North America and Asia gather for the bank's annual meeting in Fukuoka, Japan, next month.

But Mr Lee Yong-keun, South Korean executive director in the ADB, said he did not expect a speedy outcome. Even when the ADB's board had accepted the idea in principle, North Korea would have to undertake complex negotiations on the conditions of membership and the size of its capital contribution.

South Korean support did not extend to an offer of help with tha capital contribntion, Mr Lee said, though North Korea's chronic shortage of foreign exchange might make it difficult to fund even a relatively small subscription.

Other Korean officials suggest that, if North Korea did eventually join the ADB, South Korea could come under pressure to increase its contribution to the Asian Development Fund. North Korea could draw heavily on this fund, which provides concessional loans to Asia's poorest countries.

Among projects for which Pyongyang badly needs finance is modernisation of its power grid to distribute electricity generated by the safe nuclear power plants being installed by an international consortium led by the US, Japan and South Korea.

Mr Stephan Bosworth, executive director of the consortium, has said power generators would be useless without the grid modernisation, which would cost between $200m and $300m. News of North Korea's interest in the ADB comes amid signs of movement on other fronts. This week has seen the launch of a further $100m United Nations food aid appeal as well as the completion of a $4m grain barter deal by Cargill, the US trader.

The US has said it will consider the food appeal seriously while expectations are growing of a further meeting with North Korea to discuss the opening of formal talks aimed at reducing tension on the Korean peninsula. These would involve China, the US and the two Koreas.

US plays down missile row

By John Burton in Seoul

Mr William Cohen, US defence secretary, yesterday sought to defuse a simmering diplomatic row over South Korea's possible purchase of a Russian air defence system as he arrived in Seoul.

Mr Cohen angered some South Korean officials when he recently said Seoul could suffer political repercussions if it bought Russian SA-12 ground-to-air missiles instead of the US Patriot air defence system.

But the US defence secretary stressed on his arrival in Seoul for security talks with President Kim Young-sam and other officials that any dispute over the missile sale would not damage the US-South Korean military alliance. "I think that our relationship is going to remain durable without regard to the (Russian) sale, should it occur," he said.

Sonth Korea plans to spend $1bn to improve its air defence against North Korean aircraft and Scud missiles. Seoul is interested in the Russian equipment as one way to recover a $1.3bn loan it made to Moscow in the early 1990s when diplomatic relations were established.

Russia has been unable to repay the loan, hnt has instead offered goods, including military equipment, as a form of payment. Some South Korean military officials believe the SA-12 missile system is equivalent in performance to the US Patriots, whicb Seoul is also examining.

Earlier this week, Mr Cohen said he opposed the sale of the Russian missiles because it could cause interoperability problems with US forces based in South Korea. The Russian missiles could possibly shoot down US combat aircraft because they lack electronic identification systems that would recognise the US aircraft as being friendly.

In what the South Korean media described as an "ultimatum," Mr Cohen said the Russian sale "would not be a very good deal, I think, overall. Ultimately for our relationship I think it's important that they stay with US equipment."

The missile dispute is part of a growing disagreement between Seoul and Washington over Sonth Korea's desire to reduce its dependence on the US for military equipment. More than 80 per cent of South Korea's overseas military procurement comes from the US.

With ambitions of creating its own arms industry and displeased by Washington's reluctance to transfer sensitive military technology as part of its weapons sales, Seoul has turned to European defence contractors that are more willing to provide technology. "Technology transfer has become the bottom line for any South Korean arms deal," one US official said.

South Korea views Russia as a particularly lucrative source of military technology. It has so far purchased small amounts of Russian equipment, such as tanks and armoured personnel carriers, to gain intelligence on similar equipment being used by North Korea.

Cohen: durable relations

However, Seoul is also contemplating bigger arms orders from Russia besides the air defence missile system. The advanced Russian Su-37 combat aircraft has been selected as one of the four potential candidates for South Korea's next-generation air force jet, along with the US F-18 fighter.

Nuclear officials lied over Japanese accident

By Gwen Robinson in Tokyo

Japan's troubled nnclear industry yesterday drew more criticism when nuclear power officials acknowledged lying to the government about safety procedures during an accident in Marcb at a nnclear waste reprocessing plant near Tokyo.

Senior officials of tbe state-operated Power Reactor and Nuclear Fuel Development Corporation, known as Donen, acknowledged they had falsified a report on a fire and subsequent explosion at the plant, located in Tokaimura 115km east of Tokyo. The incident, which exposed 37 plant workers to radiation, ranks as Japan's most serious nuclear accident.

Within days of the incident, Donen officials came under criticism for delays in alerting local authorities and the public about the fire, lax safety procedures, and outdatad equipment at the plant. Public anger was intensified by subsequent revelations that officials at the Tokaimura plant proceeded with a scheduled golf tournament on the day of the accident and continued playing golf the next day.

Mr Toshiyuki Kondo, Donen's president, admitted at a press conference that Donen had erroneously announced several hours after a fire broke ont at the plant on the morning of March 11 that the fire had been extinguished. However, a team of Donen executives handling news about tha accident had already been informed by plant workers that they could not confirm the fire was completely out.

The fire flared up again nine hours later, causing an explosion which released radioactiva gas into the atmosphere. Donen executives lied in an official report of the accidant, claiming they had received confirmation that the fire was extinguished, Mr Kondo said.

"In fact, no one had confirmed the fire had been put out. The staff at the scene knew this, but thought it would be impossible to change the report once it was made official," said Mr Hiromasa Nakano, Donen's executive director.

Japan's prime minister, Mr Ryutaro Hashimoto, led a harrage of criticism from politicians and anti-nuclear groups: "I am so angry thet I can barely utter a word, and I don't want to hear the name Donen," he said. Mr Hashimoto added that the govarnment planned to bring in independent consultants to investigate the incident fully.

Donen is still suffering criticism for cover-ups and mishandling of an accident in late 1995 at an experimental fast-breeder reactor, Monju. Four Donen executives have been accnsed of falsifying a report and withholding videotapes of a massive leak of sodium coolant at the plant.

ASIA-PACIFIC NEWS DIGEST

UF-Congress talks begin

Leaders of India's United Front government and the Congress party last night opened "formal talks" to resolve their political differences, giving themselves little more than a day to avoid a vote of confidence, and possibly fresh general elections.

A UF spokesman said both sides had agreed to talk with the common aim of avoiding the vote, called for tomorrow by India's president after Congress withdrew political support last week from the minority UF coalition. However, he said he "could not conjecture" on the outcome of the last-minute talks.

Talks will resume today after an apparently fruitless round last night at which Congress leaders insisted that Mr Sitaram Kesri, president of Congress, lead the coalition. UF leaders said this request was "summarily" dismissed. One UF leader said the talks would not succeed and elections were becoming inevitable.

Earlier, hopes that the talks might avoid a fresh poll, and perhaps salvage the UF's business-friendly budget, heartened the Bombay market, lifting the 30-share Sensex index 131.8 points, or 3.74 per cent, to close at 3,652.29. The market initially lost 300 points, nearly 9 per cent, on news of Congress's move last week. *Mark Nicholson, New Delhi*

New talks for India, Pakistan

The foreign ministers of India and Pakistan boosted the recent revival of bilateral contacts between the two hostile neighbours by agreeing to another round of official talks in Islamabad next month. The agreement followed a 75-minute breakfast meeting in Delhi between Mr I K Gujral, Indian foreign minister, and Mr Gohar Ayub Khan, his Pakistani counterpart, in India for a Non-Aligned Movement ministerial meeting.

Mr Khan said on Tuesday he was prepared to "talk and talk and talk" to resolve differences between the two countries, which have fought three wars since partition in 1947. *Mark Nicholson, New Delhi*

New head of Manila exchange

The Philippine stock exchange, which has been hit by a series of resignations last month, has appointed a new president. Mr Jose Yulo will succeed Mr Vitaliano Nanagas, who quit a month ago. Several other key officials have also walked ont recently, dissatisfied that inquiries into insider dealing allegations had been halted suddenly. The resignations have prompted the Securities and Exchange Commission, the market watchdog, to withhold granting the PSE permanent status as a self-regulatory organisation. Also, it has launched its own investigations into allegations of insider trading and price manipulation. *Justin Marozzi, Manila*

Thai credit rating reduced

Moody's, the US credit rating agency, yesterday downgraded Thailand's foreign currency rating for bonds and bank deposits to A3 from A2. The move was widely expected and discounted by the financial markets, more concerned with the rise of the US dollar than Thailand's long-term credit rating.

The downgrade came just one day before the pricing of the country's $500m Yankee bond issue, due to come to market today. As the Yankee bond is expected to be a benchmark for other foreign borrowings by Thai state enterprises and private companies, it will raise the price of future debt issues. *Ted Bardacke, Bangkok*

Realism rules in Nepal's shaky democracy

Economic policies look secure in spite of frequent changes of coalition, writes **Kasra Naji**

Earlier this month, state-run Radio Nepal raised some eyebrows wben it hroke off its scheduled programmas to broadcast live the speech of the minister of telecommunications at a prize-giving ceremony. It is the sort of thing many fear might become routine if the Communist party of Nepal, the biggest party in parliament and the main partner in the new coalition government, comes to power as the majority party.

That is now a distinct possibility within the next year or so. Barely a month after getting together with the small rightwing Rastriya Prajatantra party (National Democratic party) to form the government after the collapse of a previous coalition, the Communist party is husy expanding its organisational network.

Ootside the party headquarters on the outskirts of the city, bulldozers are hard at work paving the ground for a new road which will link the party offices to the main road via a new bridge. Inside, dozens of young men rush around with a sense of purpose. A stream of visitors waits to see Mr Madhav Kumar Nepal, the party's secretary general.

Nepal is one of the few places remaining where the Communist party is thriving – thanks to disciplined organisational work, particularly in rural areas, and a series of populist programmes in villages where it has been in charge at local government level.

Howavar, its alliance with a rightwing party of old royalists has raised questions both inside and outside the party. "One has to go into muddy waters to plnck a lotus," said Mr Bamdev Gautam, the leader of the party.

"We are committed to multi-party democracy which we helped to bring about in Napal seven years ago," said Mr Nepal, referring to the popular nprising which ended the centuries-old village and town council-based Panchayat system of government under the autocratic rule of King Birendra. He also played down the significance of photographs of Marx, Lenin, Stalin and even Kim Il Sung, the late North Korean leader, in the party's offices.

The party has moved a long way from its Marxist roots but retains considerable snpport through its populist policies pursued with energy by its activists.

"We want to see the private sector gain more strength," he said adding that tbe previous government's policy of privatising loss-making state industries will he continued, albeit selectively.

Few people believe that the present government of Mr Lokendra Bhadur Chand will last more than a few months given the divisions in all the parties, including the Communist party. If they are right, and another new coalition cannot be put together, there would have to be mid-term elections.

The last prime minister under the disgraced Panchayat system, Mr Chand leads a divided RPP. Also the country's second largest party, Nepal's Congress party, remains far from reconciled to its recent defeat in parliament. At his home last week, Mr Grija Prasad Koirala, the party president, repeatedly told demoralised party workers that he would do his best to bring down the government.

Mr Chand's is the fifth government in the seven years since the end of the Panchayat regime. The failure of the political parties to make democracy work has disappointed many Nepalese, while it has given encouragement to the royalists who want King Birendra to take a more assertive role.

Observers in Kathmandn say while there will be more changes of government, continuity in policies will be preserved for the most part as there are a few options for tha country.

India dominates much of the economy and foreign policy, some say even internal politics. Landlocked and bordered by India on three sides, Nepal is the single largest foreign market for Indian manufactured goods. Trade with India accounts for 30 per cent of the country's foreign trade.

According to the Federation of Nepalese Chambers of Commerce, the country's trada with India amounted to NRs29.6bn ($520m) in 1995-96 – with Indian exports to Nepal accounting for more than 85 per cent of the total.

The political instability has not affected moves in the important power sector between Nepal and India. After the Mohakeli Treaty which the two sides signed last October to establish a massive hydro-electric power project on the Mohakeli river on the western borders of Nepal, the new government appears ready to follow its predecessor's plan to sign a Power Trade Agreement with India in the next few days.

The agreement will allow privete companies to invest in power generation in Nepal and sell electricity to any party in India.

NEWS: UK

German group to pay $47m and take on 880 workers in north-east England

Rolls-Royce unit bought by Siemens

Brendan Corr

Eyes on a deal: Siemens chief executive Jürgen Gehrels at a London meeting yesterday

By Stefan Wagstyl and Chris Tighe

Siemene, tbe German industrial group, yesterday agreed to buy most of Parsons Power Generation Systems, ending the uncertainty which has surrounded the loss-making plant since it was put up for sale last summer hy Rolls-Royce, the UK engineering company.

Siemens will pay £30m ($47m) for the business and take on 880 workers at the Newcastle upon Tyne plant in north-eastern England, whicb employed 1,700 before last summer.

Rolls-Royce will retain ahout 120 staff. Of the remaining 700 jobs, 400 have already been cut and a further 300 are expected to go in coming months – a severe blow in a region of high unemployment.

Mr Richard Maudslay, managing director of Rolls-Royce industrial power group, whicb includes Parsons, said: "We have ended up with a very satisfactory situation. We have got the best deal for Rolls-Royce and 880 jobs."

Mr Jürgen Gehrels, chief executive of Siemens UK, said Parsons "would have a valuable part to play in Siemens' global strategy for power generation." The future of the plant and its workforce would depend on its competitiveness, he said, hut Siemens had not bought Parsons to downsize it.

Siemens is buying Parsons' service and maintenance activities, not tbe business of building new power etatlons, in which Parsons losses were concentrated. Siemens will also acquire the Parsons name hut has no immediate plans to use it, so one of the best-known names in British engineering will disappear.

Rolls-Royce will complete existing orders. Once it has finished, the construction of new plant will end at the historic factory, founded by Sir Charles Parsons, the inventor of the modern steam turbine. Asked if be felt any regrets, Mr Maudslay said: "My real feeling is one of great satisfaction that Parsons is surviving as a husiness."

Rolls-Royce last year set aside £248m for the costs of selling Parsons and a related business – International Combustion, which employs 800 people in the Englisb Midlands city of Derby. It hopes to complete the separate sale of International Combustion in the next few weeks. But City of London analysts do not expect significant cuts in the provisions. Rolls-Royce shares rose 2 pence in London yesterday to 244 pence. One analyst said: "This is the best deal they could have got. They have drawn the line under a loss-making business."

Siemens intends to build close links between Parsons and its main steam turbine operations in Mülheim, Germany. Tbe group had in recent years expanded in the UK, including in power engineering. Its biggest investment is a £1.1bn semiconductor factory under construction not far from Parsons. Mr Gehrels praised the workforce. The Parsons workforce hopes the company will turn in a much stronger performance under new ownership.

The last nine months, since Rolls-Royce announced it intended to sell the group, have heen stressful and wearing for the staff as they worked on amid redundancies and uncertainty over their future.

Yesterday afternoon, as they left the factory, some expressed relief at the sale.

Row over EDS disclosure to US embassy

By George Parker and David Wighton

The UK Treasury has confirmed to the US embassy in London that Electronic Data Systems, the US-owned computer services group, has won more than half of all UK government information technology business.

The disclosure will embarrass UK ministers, wbo bave repeatedly refused to tell the House of Commons public accounts committee bow many contracts EDS has won.

The information was supplied to the embassy as part of a UK government attempt to show that its IT market was fully open to companies in other countries. A senior member of the committee has written to the National Audit Office, the public spending watchdog, calling for an urgent enquiry. Mr Alan Williams, a Labour MP, said: "If this claim is correct, the public accounts committee in the new parliament will want an explanation from Treasury civil servants about their refusal to supply the committee with information to which it is entitled while giving it to a foreign government."

The Treasury comments in the note to the embassy that "the UK subsidiary of one US firm has over 50 per cent of the $600m government market for IT services".

EDS is known to be the government's biggest snpplier of IT services with contracts for bodies such as the Inland Revenue, the Department of Social Security, the Ministry of Defence and the Driver and Vehicle Licensing Authority. Its success in winning sucb outsourcing contracts has raised concerns among opposition MPs, wbo claimed tbe company was acquiring a near-monopoly in the sensitive area of government information syetems. But the Treasury said in February this year it could not give details of the contracts awarded to the private sector.

"It is not part of the Treasury's role or responsibilities to collect information on the distribution of central government IT business amongst private sector companies," it told the committee.

The Treasury insisted yesterday that was still its position, explaining that the note to the US embassy was an "informal estimate". A Treasury official had calculated EDS'e share by reading press releases and Commons written answers, and was not intended to be comprehensive.

Mr Mark Fox, director of communications at EDS, accepts that the company has made "early gains" in winning government computer services contracts, valuing the company's work at around £250 to £260m.

But he points out that the company accounts for only about 10 per cent of the government total annual IT budget of about £2.5bn.

But it is EDS's dominance in the outsourcing of government data processing that has raised concerns in Westminster. The company says outsourcing is its speciality. It also points to a number of big private sector contracts.

Japanese cars top consumer survey

By John Griffiths in London

UK motorists rank Japanese models far ahead of cars produced in Europe for the fourth year running in the annual J.D. Power survey of consumer satisfaction.

The survey, which originated 16 years ago in the US, wbere it is now regarded as a snbstantial influence on buyers' choice of cars, ranked the Toyota Corolla first – for the fourth consecutive year – with Toyota's Celica second, Honda Civic third and Subaru Impreza fourth.

To the surprise of many industry observers, fifth place was taken by the Czech-huilt Octavia from Skoda. The higbest-placed West European-badged cars were BMW's 5-Series in seventh place and Jaguar's saloon models in 11th.

"Ford, Rover and Vauxhall must try harder if they are to excel in the British market", the survey, pnblished in this month's BBC Top Gear magazine, concludes.

The highest-placed Rover models, the 100 and 600, are ranked 44th and 45th respectively; tbe higbest-ranked Vauxhall, the Tigra, 66th and the highest European-built Ford, the Fiesta, 71st ont of 87 models and 33 makes ranked. At the bottom is the Lada Samara.

The survey measures consumer satisfaction with a nnmber of elements: mechanical, electrical, body, interior and "miscellaneous" problems; customer care standards, dealer charges, performance and fuel economy. Nearly 16,500 took part in the survey.

● Ford's Jaguar offsboot achieved its highest worldwide sales for seven years in the first quarter of this year. The company said yesterday sales reached 10,931 units in the quarter, up 23 per cent on the same period a year before. The increase was fuelled largely by the new XK8 sports car, with 3,977 sold.

UK NEWS DIGEST

Demand boosts manufacturing

Strong domestic demand is boosting manufacturing output, according to official figures released yesterday, in spite of reduced export sales caused by sterling's high exchange rate. "Growth has certainly been held back [by sterling] hut output growth is improving thanks to the strength of the domestic ecooomy," said Mr David Hillier, an analyst at BZW investment bank. Mr Andrew Cates, an economist at UBS investment bank in London, said the figures highlighted the dilemma for whoever was to be chancellor of the exchequer after the election. "If he raises base rates in order to establish anti-inflation credibility, be risks further appreciation of sterling and further weakness in the manufacturing sector," be said.

Manufacturing output grew by 0.2 per cent in February compared with January, taking growth in tbe 12 months to February to 1.8 per cent. *Richard Adams*

General election campaign, Page 8

■ NORTHERN IRELAND

Man escapes death as gun jams

A 21-year old Roman Catholic butcher yesterday survived an assassination attempt on the outskirts of Belfast, the Northern Ireland capital, wben a gunman's weapon jammed. Mr Kieron Delaney was bit by a bullet in the shoulder by a man disguised as a postman. But he escaped certain death when the gun theo jammed.

Detectives said they believed anti-republican "loyalist" paramilitaries were involved, even though their ceasefire is still officially in force. Mr Delaney's family said be did not belong to any organisation and claimed be was shot because of his religion.

■ CHEMICALS

Investment lower than planned

The chemical industry has invested far less in the UK than it planned to a year ago because of its poor performance across Europe. Tbe UK Chemical Industries Association yesterday said investment in the industry stagnsted last year in spite of companies' plans to lift capital spending by 14 per cent. The association said capital spending fell by 0.6 per cent in real terms, to £2.15bn ($3.41bn). On the basis of questionnaires returned by 40 companies – accounting for 35 per cent of the industry's total investment in the UK last year – the association forecast capital spending of £2.3bn this year. Many chemical companies have warned that at current exchange rates their profits will be cut by between 5 per cent and 10 per cent this year. *Jenny Luesby*

■ TELEVISION

Channels announce film deals

Channel 5, the new terrestrial channel, announced yesterday that it had signed a two-year film deal with Warner Brothers. The deal will give Channel 5 the right to show all Warner films released in 1997 and 1998 plus 190 titles from the studio library when they become available.

Meanwhile ITV, the main commercial terrestrial network, said yesterday that it had beaten off the BBC and Channel 5 to sign a deal with Universal Studios. The two-year deal is the first between ITV and Universal for more than eight years. *Raymond Snoddy*

CONTRACTS & TENDERS

Dispute on profits from privatised companies

Labour chiefs split over windfall tax

By David Wighton and Robert Peston

The general election campaign

Tha leadership of the opposition Labour party is split on how much money should be raised from its windfall tax on the profits of privatised utilities and which companies would bear the brunt of the levy.

Mr Tony Blair, the Labour leader, wants to limit the overall amount raised to around £3bn ($4.8bn) according to one of his close aides.

This is much less than is being sought by Mr Gordon Brown, Labour's chief Treasury spokesman, whose target range for revenues from so-called "excess profits" is £5bn to £10bn.

The two are also at odds over payments from British Telecommunications and BAA, the airports operator. The Labour leader is adamant they should make a minimal contribution at most, while his finance team sees them as a potentially important source of revenue.

The dispute between the two has run for months. A close colleague of Mr Blair said the Labour leader would overrule Mr Brown to ensure that the bulk of the tax would fall on water and electricity companies.

"Tony is determined on this and when he is determined he tends to get his way," said a senior official. "He believes that the overwhelming majority of excess returns to shareholders have been in the water and electricity companies and they should bear the overwhelming burden of the tax."

Such a move would be likely to boost BAA's share price which analysts say is currently discounting the risk of a substantial tax bill.

The divisions will be seized on by the ruling Conservatives, who are putting attacks on the windfall tax at the heart of their election campaign. They argue that it is a backdoor tax on ordinary people.

Mr Blair's advisers say he has not yet approved Mr Brown's proposed definition of "excess profits", from which the levies on individual companies would be calculated. The Labour leader has written to Sir John Egan, chairman of BAA, making clear thet under a Labour government the Treasury would listen to representations on the windfall tax from companies.

This appears to contradict the approach taken by Mr Brown, who has had legal advice that he must be seen to take a non-discriminatory approach to the levy, ruling out case-by-case negotiations with individual companies.

Sir John has argued strenuously that BAA should not pay any tax because the company has not benefited from weak regulation, and has a heavy of programme of capital investment which would be threatened.

Sir Iain Vallance, the chairman of BT, has also attacked the tax which he said would reflect badly on the Labour leadership. Both companies have powerful friends at the top of the party.

Thatcher scorns Labour 'replica'

Baroness Thatcher, the former Conservative prime minister, responded angrily yesterday when told by a journalist that Mr Tony Blair, the Labour perty leader, was a replica of her. "He is trying to take over my policies," she retorted while campaigning in southern England with Mr Christopher Chope (left), a lawyer and former minister seeking re-election in the port of Southampton.

"It is a kind of conversion of convenience; I had to make the revolution happen by changing everything I found in Britain, because I had a conviction," she said. "I think they have got the sex wrong, I think they have got the willpower wrong.

"I think they have got the reasoning wrong and I think they have strength wrong."

Mr Blair would put Britain in danger by signing up to the European Union's social chapter, she went on, adding: "Ha wants to take the whole of the social chapter on, which would mean being dictated to by Brussels."

ELECTION DIGEST

Party 'in rift on privatisation'

There was "open warfare" in the Labour party over its policy on privatisation, Mr John Major, the prime minister, said in Brecon, south Wales, yesterday. He spoke after Mr John Prescott, Labour's deputy leader, said in a television interview that "Labour has no plans to privatise anything". Mr Prescott's statement came days after Mr Tony Blair, the party leader, declined to rule out further privatisation.

"We've heard a lot from the Labour leader over the last few days about trust and about privatisation," said Mr Major. "Privatisation was not mentioned in their manifesto; it's now something Mr Blair has believed in since he was in nappies, it seems. But Mr Prescott doesn't... the Labour movement doesn't, the trade unions who paid for their campaign most certainly do not. And time after time in the last week, we've seen falling apart under pressure the Labour leader and the Labour manifesto."

■ 'SOCIALIST' BREAKAWAY

Trade unionist launches manifesto

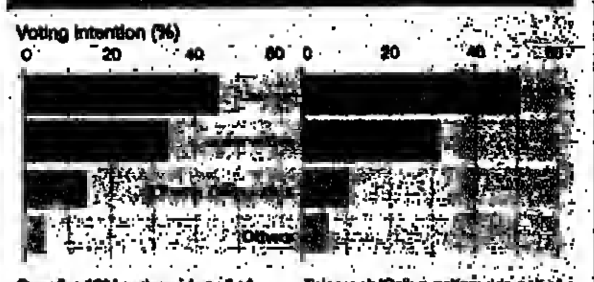
Mr Tony Blair, leader of the Labour party, had rejected socialism and "every concept and principle" that led to the party's formation, Mr Arthur Scargill, leader of the Socialist Labour party, said at the launch of its manifesto. The party, formed almost a year ago, is a leftwing breakaway from the Labour party and is to field candidates for about 10 per cent of seats in the House of Commons. Mr Scargill is president of the National Union of Mineworkers and a veteran of many trade union battles with the Conservative governments of the 1970s and 1980s. He said Mr Blair's acceptance of privatisation was a "slap in face" and all privatised companies should be renationalised.

■ ETHNIC MINORITIES

Role of black vote highlighted

Ethnic rights campaigners told political parties yesterday thet the black vote could hold the key to election victory. Mr Lee Jasper, co-ordinator of Operation Black Vote, claimed that the black vote in the US had played a "crucial" role in the re-election of President Bill Clinton. Operation Black Vote was launched in the UK last year in a joint venture between the democratic reform group Charter 88 and the 1990 Trust, a black civil rights policy research group. "A Mori poll carried out eight months ago showed us that 52 per cent of Afro-Caribbeans and Asians were either not registered to vote or were registered to vote and not intending to do so," said Mr Jasper.

Latest opinion polls



Guardian/ICM nationwide poll of 1,022 adults on April 6 and 7

Telegraph/Gallup nationwide poll of 1,122 adults on April 5,7,8

Europe's central bankers wary of Emu debate

Whatever the outcome of the election the UK may not qualify, says Wolfgang Münchau

European central bankers believe the debate over UK options for joining the singla currency by 1999 is something of a charade.

Many British politicians are vying for Eurosceptic credentials during tha election campaign, while refusing categorically to rule out joining Emu in the first wave.

But is it increasingly probable that the UK may not qualify. Central bank officials in Germany and the Benelux countries remain unrelenting over a crucial qualifying criterion. The Maastricht treaty states that a country needs to be a member of the exchange rate mechanism two years before joining the single currency. Every EU country, except the UK, Sweden and Greece is a member of the ERM.

If the single currency is to go ahead as scheduled, by January 1 1999, Britain will not meet this condition if it is strictly applied. A highly-placed official in a central bank of a member state likely to qualify said privately that the steep rise of sterling in the past year constituted grounds for concern. "We would like the UK to be a member, of course, but we will be looking very carefully at the actual performance of the exchange rate," he said. "Of course, there can always be a political decision to disregard the ERM criterion, but as of now we still consider it critical."

The European Commission also views prior membership of the ERM as a prerequisite. If this interpretation prevails, a UK government would have to rejoin the ERM two years before joining Emu. Given Britain's experience of the ERM, neither UK party is likely to risk hasty re-entry.

This interpretation is not accepted in Britain. Mr Kenneth Clarke, the chancellor of the exchequer, argues that the Maastricht condition lost all relevance after 1993, when turbulence on foreign exchange markets forced EU finance ministers to widen the ERM bands from 2.25 per cent each side of a central parity to 15 per cent. This was done to counteract the influence of currency speculators. Yet the Maastricht treaty defines as a prerequisite "the observance of the *normal* fluctuation margins provided for by the exchange rate mechanism of the European Monetary System, for at least two years, without devaluing against the currency of any other member state".

Mr Hans Tietmeyer, president of the Bundesbank, acknowledges that the widening of the band could affect the definition of the word "normal" but insists that all participants must have been members of the ERM for two years, as the original criteria specify.

He restated this position at the informal meeting of EU finance ministers and central bankers in Noordwijk, in the Netherlands, last weekend. The Bundesbank favours a margin of less than 15 per cent, but is unlikely to dig its heel in over the precise figure before the final decision on participation.

An official at another European central bank acknowledged that the decision would ultimately be political, adding that it was conceivable for the European Council – the heads of state and government – to reinterpret the criteria if Britain wanted to join in 1999.

In that case, the exchange rate stability of sterling against other EU currencies would be considered – a factor likely to count against the UK because of the pound's volatility over the past year. Whoever gets into power is likely to be confronted very early on with what is increasingly seen as a formidable obstacle UK participation in Emu.

Editorial Comment, Page 10

Election news at the Financial Times website http://www.FT.com

ARTS

The people versus Larry Who? In America a public intimate with its own pop-icons is tuned to respond Pavlovianly, with rage or prurient expectation, at the very name of the title hero of *The People Versus Larry Flynt*. Outside the US, however, the film may have a lot of background explaining to do.

Flynt is the Kentucky-born pornographer who became a millionaire by founding *Hustler magazine* - *Playboy* without the literary airs or pictorial airbrushing - and who was prosecuted and jailed, more than once, for the stand he took on free speech. He was also shot and crippled in an unsolved assassination attempt.

No wonder that in the new improved Oscar climate - art, please, not hokum - this film's radical cheek and polemical single-mindedness won nominations for director Milos Forman and lead actor Woody Harrelson. It *dares* to take its freedom-of-the-press theme all the way to the Supreme Court; just as Flynt successfully took out his counter-suit against Jerry Falwell (Richard Paul) when the famed evangelist won an "emotional distress" judgment after *Hustler*'s publication of a comical canard about his mother deflowering him in an outhouse.

Writers Scott Alexander and Larry Karaszewski make Flynt monstrously likable. So does Harrelson, whose ah-shucks boyishness scattered redeeming charms even over *Natural Born Killers*. The whole *film* is likable, which is half its trouble. Here is this boy from the boondocks, with an elastic accent and morals to match, who takes on the nation's fuddy-duddies and becomes a kind of Mr First Amendment.

It can hardly be an accident that details of his actual trade as a flesh peddlar, while not withheld by the movie, are front-loaded into early scenes. So that by the time Flynt and his lawyer (a skilled, idiosyncratic Edward Norton) brave the nation's top judges, we have almost forgotten that this blend of bubblehaired roisterer and wheelchaired martyr became famous by pointing cameras at the private parts of (sometimes under-age) girls or by buying scoop material from sleazy supersnoops, like his nude photo-spread of Jackie Kennedy sunbathing on a beach.

In the movie's middle phases, as if to provide a decoy human interest subplot, Flynt's HIV-diagnosed wife, vibrantly played by Courtney Love, woos tragic oblivion with a heroin needle. This further deflects the spotlight from the idea of Flynt as a fat cat of the flesh press and helps to enshadow him in a little winning *weltschmerz*.

Physically, of course, Harrelson is as much like the real Larry Flynt as Robert Redford is like Fatty Arbuckle. As a result, the image of a mildly tarnished golden boy removes much of the black comedy from episodes like Flynt's friendship with Jimmy Carter's Baptist sister Ruth (Donna Hanover). She converted him to Christianity, though the effects did not linger long: he was soon back at work behind the mocking nameplate "Jesus H Christ, Publisher." This section should have been high on absurdism - *amazing grace* meets amazing gross. Instead it seems tame, inconsequential.

I suspect that a mirthful script has been turned into a message opera by an ex-Czech director determined to make a fable about freedom that will play from Peoria to Prague. The film's potential for acerbic wit evaporates by the minute. Forman's own humour is loud, klunky and mostly reserved for the early scenes: from a mocking montage of Hollywood to an overdone knockabout scene in which Flynt's backwoods parents visit the boy's mansion.

By the time the moral crusader has reached the Supreme Court, it is not so much the People versus Larry Flynt, more the Establishment stiffs versus the lovably enlightened bozo. Good causes, not *for the first time, make shaky and* sanctimonious movies.

★

Twin Town calls itself a Welsh *Trainspotting*, which should succeed in insulting both Wales and *Trainspotting*. There is something almost wonderful about a film that misfires on all cylinders. Writer-director Kevin Allen gives us a supposedly caustic comedy about two brothers (Llyr Evans and Rhys Ifans) who sow dissension and débâcle in Swansea.

Fat cat of the flesh press as a mildly tarnished golden boy: Woody Harrelson and Courtney Love in 'The People Vs Larry Flynt'

Cinema/Nigel Andrews

Soft look at a pornographer

THE PEOPLE VS LARRY FLYNT
Milos Forman

TWIN TOWN
Kevin Allen

TOTAL ECLIPSE
Agnieszka Holland

THE EMPIRE STRIKES BACK
Irvin Kershner

MANDELA
Jo Menell and Angus Gibson

Highlights, if that is the word, include farting, drunkenness, *arson and a decapitated poodle*. We are never sure if this is meant to be a satire on civic pride, an old-*fashioned caper* movie with "daring" trimmings or (most likely) an overextended episode of TV's *Comic Strip Presents*.

In France they order these matters differently. The collapse of civil order is more likely to be caused by two male lyric poets battening on each other like amorous mayflies. Thus do Paul Verlaine (*David Thewlis*) and *Arthur Rimbaud* (Leonardo Di Caprio) in Agnieszka Holland's film of Christopher Hampton's play *Total Eclipse*.

Written when he was a tender French literature graduate from Oxford, Hampton's piece *has a* splenetic blend of scholarship and post-adolescent angst. One minute Rimbaud is urinating on another poet's jottings, the next he and Verlaine are discussing God, death or eternity. The third minute, they may likely be performing an activity that Hampton, guesting here as a Belgian magistrate, explains "is not encouraged in Brussels."

Though Holland directs at times in the Euro-pudding vein of *To Kill A Priest* - clashing accents fudged into homogeneity by postdubbing - Thewlis and Di Caprio keep a fire burning under their characters. Di Caprio especially - from Romeo to Rimbaud in a single month - is becoming something of a prodigy: a moveable screen Eros who *seems* un-fazed by the different and daunting cultural pedestals he is required to stand on.

The Empire Strikes Back, the best film in the *Star Wars* trilogy, returns in digitally refurbished form. Unlike the first film and definitely unlike the third, the woeful *Return Of The Jedi*, it scarcely needs enhancement. While Han Solo and Princess Leia caper nimbly through a betrayal-and-rescue *plot on* the planet *run* by *handsome*, smooth-talking Lando Calrissian (Billy Dee Williams), young *Luke sits*, or rather mystically and self-testingly handstands, before his teacher, the cuddly-magisterial Yoda.

As gurus go, this wrinkly large-eared puppet is much more fun than Sir Alec Guinness and better value. Not only does he waive entitlement to percentage points, but he offers the makers a fortune from tie-in simulacra. No wonder Hollywood is now trying to replace live actors with constructed or computerised ones.

Winner of this year's Best Documentary Oscar, Jo Menell and Angus Gibson's *Mandela* is earnest and absorbing. The price of securing, as they did, the South African leader's co-operation is that there are not too many people in the film saying, "I hate Nelson Mandela." But then who, apart from members of the Afrikaaner lunatic fringe, does hate him?

When young, as we see, Mandela *looked like Billy Dee Williams* and as he grew older, he took on the wise and weathered charisma of Yoda, with singsong voice to match. Happily for him also, no empire has yet struck back or seems likely to.

Theatre/Sarah Hemming

Homage to Homer

In these days of films, videos, *CD Roms and all* the other highly-advanced means of story-telling, how refreshing it is to find a production that goes right back to basics. *Kings*, poet Christopher Logue's version of the first two books of Homer's *Iliad*, as performed by Alan Howard, is a tribute to the art of oral *story*-telling - and a riveting one. There are no sets, no costumes, no trim*mings; Howard, dressed in a* blue suit, perches on a high stool, with Logue seated to one side at a desk. From the outset, it is plain that we are going to rely on the power of Homer's words, on *Logue's* translation of them and Howard's speaking of them, *to take us into the* world of the Trojan war. Since all three are masters of their *art, it works* brilliantly.

The story starts with the fateful quarrel between Aga*memnon, king and leader* of the Greek army, and Achilles, his finest warrior. From *the first words*, with which Howard draws you on to the beach to watch Achilles *summon his mother*, Thetis of the Sea, to help him be revenged on Agamemnon, *you are pulled into the story*. Logue's version is marvellous: pliant, clear, musical and sometimes enjoyably cheeky. He brings the world of the poem vividly alive. *His images are startling* and effective - "Death sticks to you like stench to stool"; "I *hate this king. He is* a needle in my bread" - and his ability to conjure up the tension in the festering army camp is impressive. "Low ceiling; sticky air," says Howard, and you are there with him in the room, feeling the incipient confrontation.

The squabbling, capricious gods are also vividly drawn and Logue even pinches lines from Milton for fun. But while his version is witty, it also conveys the thuggishness of the army and their blood-thirsty design. It is with the promise given to the soldiers that, when they have finished routing Troy, every one of them will be given "a Trojan she to rape and rule" that the sickening reality of war is punched home. Logue's choice of the word "she" to denote women is a clever *one, emphasising* the chauvinistic, proprietorial attitude of the soldiers to the women they seize.

Howard does not act out the parts as such but, in a beautifully phrased and paced performance (directed by Liane Aukin), summons each char*acter with a slight change of* expression and voice. The proud and wounded Achilles, *the peevish and selfish* Agamemnon, the grumbling soldiers, the scheming gods - *all are there before you*.

Occasionally he moves around the stage to make a point *and as Odysseus*, rousing the disheartened army, he advances into the auditorium and gives us the pep talk. Mostly, however, he relies on his voice, which he *uses as a painter uses* colour, and his mournful, expressive face. A shift of *pace, a raised eyebrow*, and we are with a sceptical soldier; a change of attitude, a widened eye, and we are with Thetis, plaintively putting her case to the great god, Zeus. It is a virtuoso performance and a splendid reminder of how powerful and significant these ancient stories remain.

At the Tricycle Theatre, London NW6, to April 19 (0171-328-1000).

Concert

Sixties sounds

The London *Sinfonietta* is running a series of concerts called "I Have a Dream: the Sixties", and on Sunday we plunged deep *into 1960s nostalgia* with the Sinfonietta Voices. Karlheinz Stockhausen's *Stimmung* and the first "paragraph" of Cornelius Cardew's *The Great Learning*, both composed in 1968, are perfectly emblematic of the period.

Or more, precisely, one aspect of it: the recoil from "serialist" music - which never really suited the eclectic, happy-go-lucky '60s spirit - to something radically simpler: something that owed nothing *to* Schönberg, Webern or Pierre Boulez.

The first of the seven "paragraphs" of *The Great Learning* (the whole takes seven hours to perform) is for a chorus which never sings, but recites Confucius, clicks stones and plays whistles, backed by an organ. *Stimmung* is a kind of meditation upon one six-note dominant-9th chord, for six singers with microphones, *using outré* vocal techniques to create rich variety where in conventional musical *terms there is none*. Both works leave *a* lot to be decided by the musicians; *Stimmung* can take anything from 85 to 105 minutes to perform.

Except for the organist, Cardew's piece hardly needs professional musicians (it was contemporary with the formation of the notorious Scratch Orchestra). The Sinfonietta Voices addressed themselves to it with a will, nevertheless, and even invited some distinguished wind-players to man the whistles. As usual it sounded monumental, spare, earnest and very slow.

By contrast, *Stimmung* requires virtuoso performers. The Voices were faultless. Back in those days, it used to be performed with extreme reverence, sometimes enhanced by low lights and exotic cheroots; here the Sinfonietta singers managed to be witty and playful with it, as well as awesomely well tuned. ("Tuning" is one of the things that *Stimmung* means.) Just as John Cage could make one hear "silences" with newly amazed ears, so Stockhausen draws us into attentive fascination with tiny shifts of pitch, and the balance of natural harmonics. It is a genu*inely therapeutic experience*.

D.M.

Theatre/David Murray

Dietrich rides again

The playwright Pam Gems struck very lucky in London and New York with *Piaf*, a dramatised biography of the cabaret singer, and she also made a stage version of von Sternberg's film *The Blue Angel* for Stratford-upon-Avon. What could be more natural than to proceed to a dramatisation of the unique Marlene? - especially when Siân Phillips, who *has long prompted* Dietrich comparisons and is a bit of a *monstre sacré* herself, happened to be available.

The first thing to say is that Phillips brings it off rather splendidly. Her *fans will not be disap*pointed: *nor* Dietrich fans either. The second thing is that *Marlene*, unlike *Piaf*, is not a "dramatisation" at all.

Old Marlene simply does a lot of monologuing in the two-hour run-up before her stage show opens in Paris, in the course of which all the familiar facts about her are re-exposed. A devoted mother and natural *Hausfrau* who vacuums her own dressing-room, has had *many famous* lovers but rates sex as pretty trivial, owns no great opinion of her native endowments but *knows that she knows* how to present them to best advantage, and continues to perform chiefly *because she needs (or wants)* the money. We might have read all that in *Hello!*.

Gems has put two other characters on stage. One is Marlene's young helpmeet Vivian ("Vee"), *fetchingly* played *en travesti* by Lou Gish in a trendy young man's suit, but theatrically a fifth wheel; the other is her long-suffering dresser "Mutti", a clone of Dame Edna's speechless "Madge". The director Sean Mathias has cast his 78-year-old mother in the role, her first appearance on stage, and she manages nicely.

We get many of the songs that old fans love to remember, from "Lola" through "Boys in the Back*room*" to "*Where have all the Flow*ers Gone?" (all thriftily accompanied by piano, violin and double *bass*). With "*La Vie en rose*" *one* noticed how much more fluent Phillips' French is than her German. Dietrich's *defining* Berlin-bred accents - flat, curdled, dismissive - elude her, though her husky nicotine-steeped contralto matches well enough.

Not many people will mind. Still, it was unfair to set Phillips, whose natural gifts are articulate and ironical, to playing a woman who talks nothing but turkey. Besides, Dietrich's stage appearances were superbly contrived, and lit with infinite artifice - very expensive, *beyond anything* that *Mark Jonathan* manages here. I saw her once: she knew superbly how to move, *and when not to, and where the* light would catch her best. For all Phillips' strengths, what we see at the *Lyric, Shaftesbury Avenue* is too dimly adorned to recreate anything like that impact.

Alastair Muir

Siân Phillips as Marlene

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Nederlands Philharmonisch Orkest: with conductor Andreas Delfs and pianist Andreas Haefliger perform works by Schubert and Brahms; to Apr 14

■ BERLIN

CONCERT
Philharmonie Berlin - Grosser Saal & Kammermusiksaal Tel: 49-30-2614383
● Prager Philharmoniker: with conductor Matthias Elger and the Berliner Konzert Chor perform works by Beethoven and Bruckner; Apr 12

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Rafael Frühbeck de Burgos, performed by the Deutsche Oper Berlin. Soloists include Woflgang Brendel, Reinhard Hagen, David Griffith and Barry McDaniel; Apr 13

■ BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078200
● Orchestre Symphoniqua de la Monnaia: with conductor Libor Pesek and pianist Anatol Ugorski perform works by Smetana, Prokofiev and Dvorák; Apr 13

EXHIBITION
Cabinet des Estampes, Bibliothèque Tel: 32-2-5195311
● Jacques Ochs (1883-1971): display of works by tha satirical cartoonist covering 50 years of Belgian and world history, from the Belle Epoque up to the years immediately following the second world war, an event which had enormous bearings on Ochs' work; from Apr 11 to May 24

■ COPENHAGEN

EXHIBITION
Charlottenborg Exhibition Hall Tel: 45-33 13 40 22
● Association Danoise den Gyldne: exhibiton featuring work by the Norwegian artist Frans Widerberg and the Fin Juhani Harri; from Apr 12 to May 4

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Elias: by Mendelssohn. Conducted by Wolfgang Schäfer and performed by the Hessisches Landesjugendorchester. Soloists include soprano Angela-Maria Blasi, alto Mechthild Georg and tenor Johannes Kalpers; Apr 14

■ LISBON

EXHIBITION
Museo Calouste Gulbenkian Tel: 351-1-7935131
● Alphonse Mucha and the Spirit of Art Nouveau: display featuring 134 works by Mucha, loaned by the Mucha Foundation in Prague. The exhibition includes photographic works, jewellery, coloured glass and posters made by the artist for Sarah Bernhardt; to May 4

■ LONDON

CONCERT
Royal Festival Hall Tel: 44-171-9604242
● English Heritage Orchestra: with conductor Graham Mayo, cellist Paul Watkins, soprano Clara Martin, baritone Stephen Roberts and the Philharmonic Choir performs works by Elgar and Brahms; Apr 13
St John's, Smith Square Tel: 44-171-2221061
● British Concert Orchestra: with conductor Frank Renton and pianist Olga Balakleets perform works by Glinka, Rachmaninov, Tchaikovsky and Prokofiev; Apr 12

DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Anastasia: choreographed by Kenneth MacMillan to music by Tchaikovsky and Matinu, performed by the Royal Ballet. Soloists include Sarah Wildor and Genesia Rosato; Apr 12

EXHIBITION
National Gallery Tel: 44-171-7472885
● Discovering the Italian Baroque: The Denis Mahon Collection: display of 79 paintings and 30 drawings from the collection of Sir Denis Mahon including works by Guercino, Reni, Domenichino and Carracci. This collection of 17th and 18th century Italian pieces is being shown in public for the first time; to May 18

■ MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Bernadino Perez Fitz: performance by the tenor, accompanied by the pianist Juan Ignacio Martinez Ruiz. The programme includes works by Verdi, Puccini, Mozart and Chopin; Apr 14

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● The Chamber Music Society of Lincoln Center: with conductor David Shifrin, soprano Benita Valente, mezzo-soprano Marietta Simpson and tenor John Aler performs works by Schumann, Druckman, Schubert and Brahms; Apr 13
Avery Fisher Hall Tel: 1-212-875-5030
● American Symphony Orchestra: with conductor Leon Botstein perform works by D'Indy and Magnard; Apr 13

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Written In Memory: Portraits of the Holocaust. Photographs by Jeffrey A. Wolin: exhibition of portrait photographs of Holocaust survivors. Wolin writes texts transcribed from interviews with the survivors directly on to the prints; to Apr 20

■ PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Alain Diot: exhibition of recent paintings by the French artist, whose work explores perception of light by using greys and whites predominantly in his paintings; to May 18
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Les Annees 30 en Europe: exhibition examining the art of the 1930s and its reaction to International events and the looming ahadow of war. Artists with work on display include Léger, Picasso, Miró, Dali, Kandinsky, Klee, Oix and Sironi; to May 25

OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Simon Boccanegra: by Verdi. Conducted by Carlo Rizzi, performed by the Orchestre et Choeurs da l'Opéra National de Paris. Soloists include Alexandru Agacha, Miriam Gauci and Carlo Colombara; Apr 14
Théâtre National de l'Opéra - Opéra Garnier Tel: 33-1 42 66 50 22
● Giulio Cesare: by Handel. Conducted by Ivor Bolton, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Susanne Mentzer, Kathleen Kuhlmann, Lorraine Hunt and Ruth Ann Swenson; Apr 12

■ ROME

OPERA
Teatro dell' Opera di Roma Tel: 39-6-481601
● Maria Stuart: by Donizetti. Conducted by Daniela Callegari, performed by tha Opera di Roma. Soloists include Tiziana Fabbricini, Gloria Scalchi, Jeffrey Francis, Roberto Servile and Giorgio Giuseppini; Apr 13

■ THESSALONIKI

CONCERT
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Thessaloniki State Orchestra: with conductor Olaf Koch perform works by Schutz, Monteverdi and Orff, at the Aule of the Aristotele University of Thessaloniki; Apr 14

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Vision of a global market

WTO members are hoping to deregulate financial services, says Guy de Jonquières

Visit a busy trading room on Wall Street or in the City of London and it is easy to get the idea that the world operates as one vast financial market, in which frontiers no longer matter. But in Geneva today, trade negotiators will start locking horns over the many obstacles which keep that vision of a free global market from becoming a reality.

They hope to forge by mid-December an agreement in the World Trade Organisation which could give a powerful boost to international competition in financial services. This would dismantle the protectionist barriers with which many countries have long ringed their banking, insurance and capital markets.

If a deal can be reached, it would commit WTO members to accelerate liberalisation of these sectors and allow foreign institutions to compete more freely for business within thair borders. It would also bring financial services firmly within the WTO's binding rules and disciplines.

That prospect is whetting the appetite of financial institutions in the US and Europe, many of which are playing a more active role in the WTO horse trading than private industry has done in most previous world trade negotiations.

"What is at stake in these talks is our ability to get into fast-growing markets and provide services there," saya Mr Andrew Buxton, chairman of Britain's Barclays Bank. Mr Buxton is leading an initiative to mobilise transatlantic industry support for an agreement.

Mucb of the western industry's focus is on winning better access to higb-flying economies in Asia and Latin America. Although countries in these regions have cut barriers to imports and foreign investment in manufacturing and infrastructure, most have been much more reluctant to liberalise financial services.

In many, rigid regulations have prevented financial markets from developing and limited competition. New entrants from abroad are discouraged by barriers, inclnding limits on foreign ownership, rights of establishment and the granting of operating licences, as well as opaque regulatory regimes.

Efforts to chip away at these obstacles through bilateral discussions have baan time-consuming and slow, says Mr Bruce Culp, head of strategic planning at Ford Financial Services, the eighth largest US financial institution ranked by assets. "At the moment, we progresa foxhole by foxhole, negotiating with one country after another," he says. "Having a WTO agreement which opened financial services markets would be enormously more efficient."

Getting a deal will, however, call for deft political fence mending and imaginative diplomacy. WTO members are still smarting from the disappointing outcome of their first attempt to reach a financial services agreement less than two years ago.

Thia nearly collapaed when the US withdrew at the last minute, complaining that other countries were balking at liberalisation. The talks were rescued only wben the European Union persuaded other WTO members to hack a atop-gap accord, which expires at the end of this year, and to keep its internal market open to allcomers.

It is widely agreed that success tbia time will require all WTO members to improve substantially on their commitments in that deal, many of which only involved undertakings not to reverse existing liberalisation.

Many trade diplomats say the US must make the running. "The US needs to table a good negotiating offer early to show it is serious about an agreement," says one. "Otherwise, other countries will be unwilling to move."

At present, the US only guarantees access to its market for foreign institutions' existing operations. The EU wanta that commitment extended to cover all foreign competitors, and to include a pledge to complete reform of tbe Glass-Steagall Act, which separates commercial and investment banking.

The US, like other countries, has yet to reveal its hand. However, other WTO members say its negotiators and industry are taking a more constructive approach. "The mood in the US has changed. They say they want a deal and are prepared to work for it," says a trade diplomat in Geneva.

Nonetheless, the US is signalling that it still intends to drive a bard bargain. It is under strong pressure to do so in order to impress Congress, from which President Bill Clinton is seeking fresh authority to negotiate trade agreements.

But Washington seems to have heeded criticism that its tactics in the last WTO talks were too crude and high-handed. It saems readier to woo other countries, particularly developing ones, by arguing that open and efficient financial services markets will boost their economic growth and attract inward investment.

Western institutions are seeking to reinforce that message. Executives of groups inclnding Barclays, Germany's Dresdner Bank, Société Générale of France and Chubb insurance, Citicorp and Ford Financial Services of the US, have agreed discreetly to impress on finance ministers around the world the benefits of a WTO deal.

Two other factors are inspiring cautious optimism in Geneva. One is the psycbological boost from the WTO's agreements this year to free trade in telecommunications services and information technology products – both of which attracted participation by an unexpectedly large number of developing countries. The other positive element is the continuing worldwide trend towards financial market liberalisation. The most spectacular example is Japan's recent "big hang" deregulation initiative. More quietly, countries including India, Brazil, Thailand and the Philippines have been relaxing restrictions on competition from abroad.

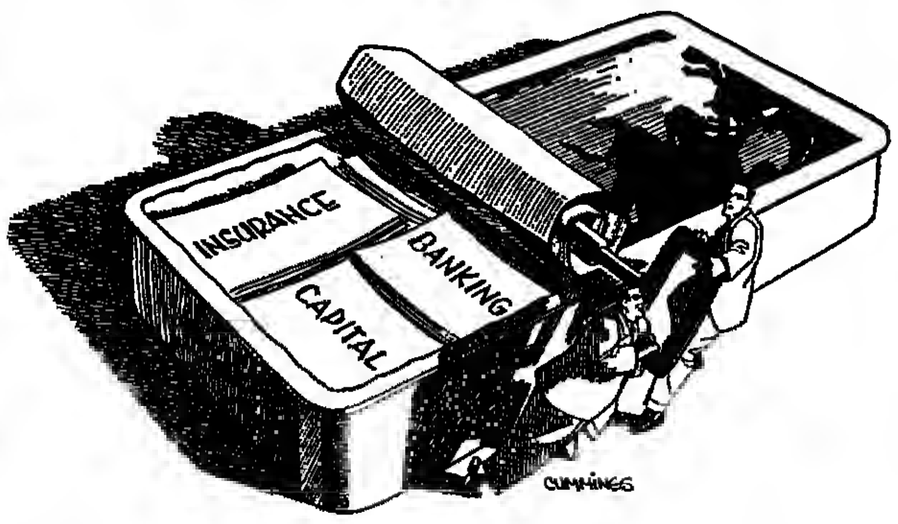
The qnestion is whether enough countries are willing to accelerate auch moves and turn them into formal WTO commitments. Though pro-reform forces are gaining ground in many of them, they still face formidable obstacles. As Mr Buxton points out, modernising backward and overstaffed banking systems involves painful upheavals and heavy short-term social costs.

One way to soften the blow could be to build into a WTO agreement staged timetables, which would allow developing countries several years to carry out commitments to open their financial services markets. The US and EU are ready to consider that option. But it is uncertain how many developing country governments would be ready to sign up for it.

Even some which accept the economic case for liberalising are unwilling to be seen to yield to international pressure – all the more so when much of it is generated by powerful foreign institutions eager to muscle in on their markets. Furthermore, some developing countries ask why they should go along with a deal that offers them no advantages of interest to their exporters

Similar objections were raised during WTO negotiations on telecommunications and information technology. Those talks produced deals whicb developing countries were ready to live with, but which Washington's negotiators were also able to present to Congress as overwbelming victories for the US national interest.

Witb eigbt months until the deadline for a financial services agreement, none of the negotiators is ready to bet that tbe trick can be repeated. If the talks succeed, it will be because governments have been as skilled at reconciling the conflicting pressures eacb faces at home, as at bridging their differences at tbe Geneva bargaining table.



BOOK REVIEW · Michael

DRAGONSTRIKE: the Millennium War
By Humphrey Hawksley and Simon Holberton
Sidgwick & Jackson, 387 pages, £16.99

War games in the South China Sea

Less than five years from now, in the early morning of 18 February 2001, Chinese air and naval forces equipped with advanced Russian weapon systems launch sudden attacks upon Vietnamese defences. They rapidly occupy disputad islands in the South China Sea and seize foreign – including western – oil workers. Most of the south-east Asian nations concede without a fight.

Dissatisfied with a tepid US response, Japan tests a nuclear bomb. As the Chinese attempt to seal off the South China Sea, they sink a US battleship that had been sent to rescue hostages. US and western forces fight the Chinese and appear to gain the upper hand in spite of suffering heavy casualties. The Chinese raise the stakes by threatening the American mainland with nuclear weapons and, notwithstanding its overwhelming superiority, Washington concedes control of the South China Sea rather than risk the loss of American cities.

That in brief is the scenario advanced by Humphrey Hawksley and Simon Holberton, arising from what they see as the pollcy of "drift" of the Clinton administration. These are two experlenced and highly respected journalists, who work for the BBC and Financial Times respectively. Their depiction of China under the post-Deng leadership as a threat to its neighbours and as willing to take risks in challenging western interests is graphic and, in its own terms, realistic.

Tbe scenario contalns many finely judged and ingenious episodes, not least of whicb tells how a Chinese military man manipulates tha international financial markets to raise sufficient funds to underwrite the cost of the war. But the credibility of the proceedings depend on the assessment of China's relative capabillties and on the capacity of China's leaders to act in this way. A great deal of care has gone into presenting the military engagements so that many of China's known military deficiencies are taken into account. Nevertheless, most experts on the Chinese military would be surprised by the degree of success allowed them here.

Ultimately, however, the plausibility of the book turns less on the dramatic military engagements that ara described so well than on the political dimensions. The politics of both Beijing and Washington are notoriously difficult to predict. Consequently, a number of diverse scenarios could be advanced with equal plausibility. For example, it would not be difficult to describe with similar conviction a response in Washington to the Chinese attack tbat was altogether less wimpish.

The book hinges on its depiction of the threatening bebaviour of the Chinese leadership, whose aggression is seen to arise from weakness. In the book, the party's grasp on power has become even more uncertain and, in seeking a fresh mandate, it plays the nationalist card by unleashing a war to recover sovereign territory. The leaders are even prepared to sacrifice economic development for a limited period.

China's leader is depicted as dismissive of the readiness of his neighbours – with the exception of Vietnam – to risk conflict. He calculates his people are prepared to withstand unimaginable nuclear destruction while his American adversaries would not risk the raxing of a single city.

The trouble with describing China's leaders in this chilling way is that it does not tally with what is known of their behaviour. Far from being cavalier, they have been very calculating. True, their language has often been extreme and their behaviour sometimes provocative, but less so in the promotion of war than in seizure of political initiative.

Politics in China is often ruthless and Chinese views on international politics continue to reflect a harsh realism and an unsentimental concern with balances of power. It is also true that, with the decline of the appeal of communism, nationalist sentiments have become more evident and China's leaders even less prepared to compromise on sovereignty issues.

But it does not follow that China's leaders are necessarily high risk takers or that they are confrontationist. In the past year, they have signed multilateral agreements, such as a treaty with Russia and three central Asian republics, explicitly recognising that national security involves economic and social interdependence. They have been more co-operative in matters of arms control and nuclear proliferation.

This book is one of a number along these lines that have come from respected writers such as Professor Samuel Huntington of Harvard University and Mr Caspar Weinberger, the former US defence secretary. But is China really of such concern, or has China in the 1990s merely replaced Japan of the 1980s as the bogeyman from the east?

The reviewer is professor (elect) of international relations, London School of Economics. Dragonstrike is available from FT Bookshop on FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Investment in Tube vital to health of the UK economy

From Mr Ion Berry and others.

Sir, As members of the national network of approved Chambers of Commerce, we are concerned about the likely future deterioration of the London Underground system following the reduction in London Transport's investment funding in the last budget. This is a worrying trend, reflecting lack of investment affecting many parts of the UK's transport infrastructure.

Just over 55 per cent of the UK's 26m overseas visitors come to London, many before travelling on to other parts of the country, and 90 per cent of these use the London Underground system. The impression we as a country should be presenting to visitors is not one of congestion, air pollution and neglected public transport. Rather, we should be constantly alert to the fact that the UK competes with other countries for tourist income. It is therefore important to the whole country to ensure that London's Tube network is not in an embarrassing state of decay with frequent disruption, overcrowding, delays and unreliability.

Whatever the best long-term solution to this problem might be, and whichever party forms a government after the forthcoming general election, we would ask that this issue of London Transport's short-term investment funding deficit be recognised and acted on in order that the UK's ability to attract inward investment and tourist income is not impaired.

Ian Berry, chief executive, Liverpool Chamber of Commerce and Industry,
Michael Bird, chief executive, North East Chamber of Commerce, Trade and Industry,
Peter Burdon, chief executive, Glasgow Chamber of Commerce,
Julian Hulse, chief executive, Manchester Chamber of Commerce and Industry,
John Savage, chief executive, Bristol Chamber of Commerce and Initiative,
Peter Stillwell, chief executive, Edinburgh Chamber of Commerce and Enterprise,
as from: 1 Old Hall Street, Liverpool L3 9HG, UK

Norwegian salmon victim of protectionism

From Mr Niels G. Stolt-Nielsen.

Sir, Your readers deserve a fuller picture than that portrayed by Philip Thorn, the chairman of the Scottish Salmon Growers Association, in his letter of March 24.

It is a sad but trua fact that the SSGA has managed to mobilise the European Commission to consider the anti-dumping instrument against the import of salmon from its European Economic Area partner, Norway. It is sad not only because it is a direct insult to the principles of free trade of the Rome Treaty as well as the EEA agreement, but also because, with the exception of the Scottish farming industry, there are only losers in this battle.

The fact is that Norway, with her long and sheltered coastline, has a natural competitive advantage, enabling her to produce large quantities of high quality farmed salmon for the European market. The strategy of the SSGA, led by the large Scottish aquaculture company Marine Harvest, has since 1989 been to exploit all political means available in the EU to compensate for their own lesser competitiveness in the market. Over the past eight years their consistent political pressure has resulted in a series of protectionist trade measures against Norwegian salmon. The aim of the Scots is to regulate the supplies from Norway and thereby maintain their own margins and a highest possible price of salmon in Europe.

While Norwegian salmon farmers have suffered severe economic penalties, the Scots have secured economic advantage for themselves.

There are three losers in this trade policy game. The biggest loser is the European consumer who has to pay a much higher price for salmon. The second loser is the EU processing industry and the several thousands of jobs that are put at risk. And, finally, there is us, the Norwegian fish farmers, who are less able to exploit our competitive advantages. But as always in an inefficient market, it is ultimately the consumer that will pay the Scottish bill.

Niels G. Stolt-Nielsen,
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Norway

Competitiveness is the heresy to be addressed

From Mr Colin Hines.

Sir, The churches' report *Unemployment and the Future of Work* laudably castigates two of the inevitable consequences of ever-freer trade – an unacceptably high real unemployment level of 4.5m in the UK and growing inequality here and in most countries worldwide ("Churches back minimum wage and union rights", April 8).

Unfortunately the report also opposes anything that would "damage corporata competitiveness". At a stroke this will ensure that most of its policy suggestions for dealing with joblessness will never be introduced. Any calls for increased public expenditure to generate jobs, improvements in basic wages, meaningful taxes on fuels and so on will be ruled out of court, as they are today, by the imperative to bow the knee to the new god of "international competitiveness".

This is the heresy thet the churches really have to address if they are serious about dealing with unemployment.

Colin Hines,
11 Park House Gardens,
East Twickenham,
Middlesex TW1 2DF, UK

Intellectual challenge

From Mr Leslie J. Ford.

Sir, Your extensive survey of chemical engineering (April 3) April was a timely reminder of the importance of this profession to the prosperity of the UK and of its value to the individual as a stepping stone to success in business generally.

It is not surprising for a financial newspaper that your articles seemed to emphasise the financial rewards to the successful chemical engineer, but I would wish to draw to your attention, and to that of prospective entrants to the profession, that it offers a lifetime of intellectual challenge which ensures a most rewarding career, even if one does not become a multimillionaire. Nowhere is this more true than for my own interest in particle technology, where the production of particles of specific form for use in the pharmaceutical, food, catalyst and paint industries, to name but four, is a real challenge now and for the foreseeable future.

Leslie J Ford,
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FINANCIAL TIMES

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Thursday April 10 1997

Europe as an issue

In this UK general election, unlike the last one – which was held during the short honeymoon between the signing of the Maastricht treaty and its rejection by the Danish voters – Europe is very much an issue. Yet it does not figure quite as one might have expected.

No other issue has been so badly managed by Mr John Major'a government over the past five years, from Black Wednesday to mad cows, and none has so divided and discredited tha Conservative party. Anger over Europe has even hrougbt into the lists a new party, the Referendum party, which will not win seats but may contribute to Conservative losses. Yet the Tories clearly regard Europe as their issue, and have had some success in using it to put the opposition parties on the defensive.

Certainly it is the Tory manifesto that has most to say about Europe, using the recent poor performanca of the main continental economies to point up the relative success of the British one. Mr Major sets the tone in his foreword: "The European *social* model *is failing. The* nation state is under threat." He wants Britain to "remain the lowest taxed economy in Europe", and promises to "keep burdens off business" by maintaining Britain's opt-out from the Social Chapter.

Mr Tony Blair in the foreword to *his* manifesto half concedes tbe point: "Europe isn't working in the way this country and Europe need." He believes he can change that, giving Britain "the leadership in Europe", and explains that "to lead means to be involved, to be constructive, to be capable of getting our own way". Yet his party seems mildly embarrassed by its support for the Social Chapter, hastening to reassure voters that it would "deploy our influence in Europe... to promote employability and competitiveness, not inflexibility". Hardly a ringing defence of the European social model.

Two specific European issues will confront tha government elected on May 1: first the revision of the *Maastricht* treaty, which should be completed at the Amsterdam summit in June; and then Britain's membership of, or relationship with, the future single currency.

On the latter, all three parties promise not to join without a referendum, and both main ones have now all but ruled out doing so in the lifetime of the new parliament. Only the Liberal Democrats say boldly that the single currency would be "the best framework" for lower inflation and greater exchange rate stability, and that "it is in Britain's interests to take part".

On Amsterdam the Conservatives argue persuasively that an enlarged EU "needs to become flexihle not more rigid" and "should do less, but do it better". But their pledge to oppose any further extension of qualified majority voting will hardly facilitate that outcome. Moreover it guarantees a mammoth showdown with Britain'a EU partners in June if Mr Major is re-elected.

Labour, by contrast, pledges "high priority" not only for enlargement itself but for the "institutional reforms necessary to make an enlarged Europe *work*". *It is therefore willing* at least to "consider" the extension of QMV, though only "in limited areas where that is in Britain's interests".

What matters in government, bowever, will be less the small print of manifestoes than the capacity to strike bargains and deliver one's own side of them. Mr Major has been unable to do this since 1992 because he lacked authority over his own party and was unable or unwilling to mobilise the cross-party pro-European majority, whicb did exist both in parliament and in *the country. If he wins this* election, he will not be much better placed in this respect, as his party's centre of gravity is clearly shifting in a Eurosceptic direction.

Labour Eurosceptics, by contrast, are a dying breed and a victorious Mr Blair would, at least to start with, enjoy much greater freedom of manoeuvre on Europe than his predecessor. The European issue should therefore play in his favour. It is a *pity he has not* been bolder and clearer in spelling this out.

Hope for Zaire

The US administration yesterday at last appeared to be recognising the inevitable, and called on President Mobutu Sese Seko of Zaire to quit. It is high time. Even the French government, his other main hacker, was distancing itself from Zaire'a corrupt dictator. In stepping down, he *can perform* at least one good service to his country, which be has so cynically *ruled and robbed for* the past 32 years.

Ha should depart into exile forthwith, and *leave others* to negotiate a ceasefire, and a lasting peace. If he attempts to cling to power, there is a danger that what has been a remarkahly bloodless civil war so far will slida into chaos in a battle for Kinshasa, the capital.

The rebel forces led hy Mr Laurent Kabila were cheered as liberators when they marched into the southern mining city of Lubumbashi yesterday. So far they have behaved with restraint. They seem to be committed to holding the ramshackle former Belgian Congo together, and keeping its administration in place, thus avoiding a *civil collapse*. That is all to the good.

Without Mobutu, peace talks *involving all parties can take* place. A coalition government should be installed to draw up a development plan, and stabilise the country. Once that has happened, an election for a popular government *can* be held.

Australian rules

A particularly thorny question underlies the Wallis Report on competition in Australian financial services. How can a fragmented market of just 18m people be both competitive and efficient?

Until now Australia has kept its four largest banks and two insurance institutions immune *from takeover*, while also guaranteeing an important role for a plethora of regional banks.

But that has left too many banks cbarging too much for banking services. Only with the relatively recently advent of securitisation has true competition started to develop, notably in mortgage lending, where non-banks bave won market share by arranging loans and then securitising them.

The Wallis report sensibly tries to build on the role of non-banks. Its price for an end to takeover and merger restrictions on the big banks and insurance companies is sweeping regulatory change to encourage the development of non-bank institutions.

The government's initial reaction has been been wary, but for the wrong reasons. It wants to continue limiting *takeovers* until there is more competition in the market and to retain the right to prevent all of Australia's prize banks being snapped up hy foreign predators.

Yet there is nothing like the threat of takeover to stimulate performance: witness Westpac's efforts in the run-up to Wallis to boost its returns by securitising mortgages. Fear of foreign predators is also curiously old-fashioned when banks are operating in a glohal environmant and Australian banks themselves own subsidiaries overseas.

A main government worry appears to be the reaction from small businesses if even greater *concentration* is allowed in banking. But the price of small business loans will not be much different if there are two main banks rather than four. Here, too, the real impact will come from non-banks.

The critical issue is regulation. Wallis makes an innovative proposal that a single agency should regulate deposit *taking institutions, insurance* companies and pension funds.

This idea takes account of the increasingly blurred distinction between banking and other activities in a modern financial market; but the new regulator will have to be sophisticated and tough. Allowing non-banks to establish checking accounts is bold. There could be a nasty backlash *if things go wrong.*

Getting regulation right is vitally important, so the government has reason to be wary. But it should not bold back on the reforms merely because it wants an easy life.

Economic Viewpoint · Samuel Brittan

Welfare if you work

Top-up payments for low earners will become the new agenda in the battle against unemployment

A stylised history of the 1980s and 1990s would run as follows. Labour market differentials have *increased. In much* of continental Europe, where pay is more closely regulated, tha pressures have taken the form of unemploymant. In the US, they have taken the form of wider differences in actual pay. The UK comes somewhere in between. Fundamantally, thare is one problem: the movement of relative market earnings against the less well paid sections of the working population.

It is worth citing a few figures. The ratio of the earnings of US workers 90 per cent of the way up the income scale to those half way up rose from 1.9 in 1979 to 2.2 in the mid-1990. The ratio of the earnings of those in the middle to those 10 per cent from the bottom rose from 2.2 to 2.4. There was a similar trend in the UK, which started from a postion of lower differentials. Here tha top-to-middle ratio rose from 1.7 to 1.9, while the middle-to-bottom one rose from 1.5 to 1.8.

To call the US and British changes "increased inequality" implies that, in an ideal society, every person should be paid tha same. This begs many questions. Increased differentials at the top may *not* matter so much if they simply show that the high earners are gaining relatively, pro*vided that most others* are *doing* reasonably well. Even the fall in the relative position of tha hottom tenth might be *tolerable* if they were *still* increasing their living standards, as part of a trickle-down process.

But this seems unlikely. The proportion of US workers earning $15,000 a year or less, in constant 1995 dollars, increased between 1979 and 1995 at a time when real gross domestic product per head increased by a quarter.

There is *some* argument about the numbers. The Boskin report, commissioned by the Clinton *administration, suggests that* the US consumer price index overstates inflation. in addition, earnings figures may give a misleading impression of real living standards because fringe benefits rose, even if take-home pay contracted.

In the UK, the position is a little clearer – and less gloomy. As the chart shows, wage earners in the middle saw substantial gains in real pay. Unfortunately, those at the bottom stayed more or less where they were, with no real wage growth.

The reasons for the widening of market pay *differentials* are unclear. The US Council of Economic Advisers follows respectable mainstream economic opinion in attributing nearly half of the widening to "technological change". Only about 10 per cent is put down to international trade influences, even though globalisation has created a single world market in which unskilled lahour in every country is in competition. The CEA does show, however, that the differential between those with further education and those who have only baen to high school has increased.

Earnings from work are, of course, not the same as house*hold* incomes. The *pie* chart shows that low wages are not the most important reason for poverty in *Britain. Even so*, the *lack* of earnings improvement for the bottom section of the working population is serious. Moreover, the unemployed, and even some of tha prematurely retired or partially sick, might make greater efforts to obtain a job if it made more difference to their take-home income.

Neither the US solution of an army of working poor, nor the *European non-solution of high* unemployment – cosmetically treated with compulsory reduc*tions* in *working* hours and early retirements – is satisfactory. The first is a source of hardship and the second is becoming so wasteful that evan consensus-minded European leaders now realise their model cannot work unamended.

The present empbasis of both main British political parties is on education and training. Labour promises an eventual joh guarantee for all who have been unemployed for more than two years. Such people will be given three choices: training; a subsidised joh; and, if all else fails, work on specially created community projects. These ideas were put into limited operation during the unemployment crisis of the mid-1980s and could well have had some effect.

Suppose, however, that training and education do not prove to be the panaceas now envisaged. Is there a way of obtaining the advantages of low unemployment without poverty incomes for the less well off?

There is really only one method of combining market levels of pay and low unemployment with poverty relief. This is to top up the pay of those employed on low wages. *Such* in-work *benefits* have more chance of attracting people back into work in "Anglo-Saxon" type economies, where unemployment benefit is modest, than in highly developed welfare states where payments to the unemployed are a large fraction of former earnings and, in practice, unconditional.

The supposedly right-wing Keith Joseph, a former Conservative social security minister, made a pioneering move in the early 1970s to top up the income of lower-paid workers with children. This has been improved several times since and is now known as Family Credit, though it still accounts for a negligible part of the UK social security hudget.

Apart from other restrictions, Family Credit excludes single *people* and *couples without* children. Its extension to these groups has been tried in one or two localities, but there is still no national commitment. One of the problems with Family Credit is that it interacts with the much more costly housing benefit. The result is a high withdrawal rate – or "poverty trap" – as incomes rise.

There are many different ambitious *top-up schemes canvassed* by rival reformers who fight like cats and dogs among themselves. *It has* often been shown – most recently in *OECD Economic Studies* (1996) – that suggestions like basic income, negative income tax or income top-up stem from the same idea. The differences are administrative and in the scales and conditions involved. "Workfare", for example, consists of temporary earnings top-ups, plus compulsion to work.

One decision is whether to base the top-up on individual or household earnings. Most reformers say individual earnings; but governments prefer the household variety, as *it* is cheaper. There is also the administrativa decision whether to base the payouts on the *income tax or* the social security system. The US has gone for an income tax-related top-np – the Earned Income Tax Credit.

An important choice is whether to confine these payments to those at work. Although some would *favour* universal payments, there is no way public opinion would accept the top-up without insisting on work conditions. Another big decision is how large the credit should be for someone at the bottom of tbe scale and the rate at which it should taper off.

A pay subsidy to employers of low-wage labour – as proposed by Professor Edmund Phelps, a noted US economist – is conceptually similar to an earninga top-up. The difference is that the supplement is paid to the employer rather than the household. *Prof Phelps' detailed* criticisms of the US Earned Income Credit are mainly hased on the details of its design, which might be remedied without moving over to the politically explosive idea of widespread employer handouts.

Where will the money come from? Enthusiasts for their own pet schemes claim that, by increasing total employment, they will pay for themselves. *Treasury officials*, the world over, will rightly wait for this to be demonstrated. A more *realistic* answer is that resources can only be transferred by fellow citizens.

There *are two frequent* objections founded on misunderstanding. The first is that workers taken on by means of a pay subsidy would displace other workers. Reformers have tried to meet this criticism by proposing ring fences, which would make the top-ups conditional on extra workers being employed. I doubt how long these ring fences would work. The simpler answer, emphasised hy Professor Richard Layard, the British economist, is that the top-ups would actually create more low-skill jobs in all. Even if all the low paid received them, *more jobs would still* be generated.

The other objection is that employers would respond by reducing their pre-top-up pay offers. The mere spectre of lower pre-benefit pay is enough to make many on the left highly suspicious of in-work benefits or subsidies of any kind.

Some depressing effect on pre-benefit pay is indeed inevitable. The intention *is* to create more low-paid jobs. But as one can see, hy drawing up conventionally shaped supply and demand curves, in the end there is lower *pre-benefit pay*, but *higher post-*benefit income and more unskilled jobs.

If we are to avoid *wishful* thinking we must carry out a parallel exercise for those in the middle and upper ranges who would have to bear the cost through higher taxes or contributions. The result of increasing the tax burden bere would surely lead to higher pre-tax pay, lower take-home pay and less work effort in the more highly skilled occupations.

If western countries want to take advantage of globalisation and new technology to increase their national incomes, but avoid creating a depressed class, then those who gain most should compensate those who lose. The trick is to do so with the least under*mining of work incentives.*

E. Phelps, *Rewarding Work*, to be published May 15 by Harvard University Press, £16.50. R. Layard, *What Labour Can Do*, Warner Books.

· OBSERVER ·

Kinnock crossing

■ Two years driving his official Mercedes on Europe's most alarming roads has proved too much for EU transport commissioner Neil Kinnock. Yesterday he poured scorn on Belgium's "priorité à droite" rule which gives right of way to motorists joining even the busiest main road from the tiniest back street.

While countries such as France have allowed the rule to fall largely into disuse, Belgium clings to it with dour determination – which explains the number of vehicles driving round Brussels with crumpled right-side doors. Kinnock called the system as "an offence against the security and liberty of the whole human race" and "a way of getting thrills in an otherwise boring life".

But even the man responsibla for EU-wide transport policy cannot force Belgium to drop the rule. Perhaps the former driving force behind Britain's Labour party would prefer "priorité à gauche"?

Take a punt

■ If Venice is sinking, its gondoliers are gouging. The cost *of an hour-long gondola ride* around the city's picturesque – if sometimes smelly – canals is going up by 50 per cent from L80,000 to L120,000. A day's work punting and serenading tourists will now bring in at least 1m lire.

Of course everyone knows that Venice is shamefully expensive. US hamburger chain McDonald's recently boasted that its four restaurants in Venice were the only ones that did not charge for use of their toilets. But even so, the *gondoliers'* pay rise seems excessive in a country where consumer prices are rising at a *modest* 2.2 *per cent annual rate*. Just wait till the gondola factor seeps into the official figures.

Ticking-off

■ It was clear that France was short on ideas to celebrate the millennium when prime minister Alain Juppé recently *appeared before the country's* press to appeal for inspiration. So it's particularly sad that the authorities have given the elbow to the Genitron, the electric clock next to Paris's Pompidou Centre which since 1987 had been counting down the seconds to the end of the century.

The clock was removed last year with little explanation to the *architects who* designed it and no firm plans to put it back once the Pompidou's renovation *programme is complete. To* make matters worse, Paris last week plugged in a new clock on a flank of the Eiffel Tower.

Still, the Genitron's architects are planning their revenge and have resolved to reinstall their timepiece in Berlin. Just in case their Gallic masters don't get the point, they've found a site right outside the French embassy.

Resolute

■ Was it pure idealism that persuaded Denmark's prime minister, Poul Nyrup Rasmussen, and his foreign minister, Niels Helveg Petersen, to pick a fight with China at the UN human rights commission meeting in Geneva? Copenhagen locals reckon there's more to it.

Last month Bill Clinton was due to visit Denmark in connection with the Helsinki summit, but his tumble down the stairs of golfer Greg *Norman's Florida mansion* forced him to postpone the visit. In the meantime, the US government *asked* the Danes to run a small errand: present a resolution criticising China's human rights record at the UN meeting, an issue which US foreign policy types were wary of tsckling head-on.

The Danes replied that they'd be happy to oblige. And a couple of days later the White House confirmed that Bill will come to Copenhagen in July.

Still, whatever its motivation, Danes across the political spectrum, not to mention the media, seem to be right behind the government's decision to take on China. There's only one country which really needs to worry about the episode: Russia should keep an eye out for fighting along the Danish-Chinese border.

Bitter blend

■ Something of an aroma is now hanging over Jamaica's *state-run* Coffee Industry Board – and it ain't the whiff of the Caribbean island's famous Blue Mountain bean. It seems the board is the equivalent of $57m in debt; that's roughly the same amount as two years' coffee exports. If you also add in the $8.37m which coffee farmers owe the board in unpaid loans, things start to look a little bitter.

The grinding poverty of the coffee board has been elucidated by a government-commissioned study of the sector. It recommends that the state writes off the debt, as there's no way the farmers can pay it. But analysts reckon there's an instant solution: evan if local growers tripled the current 15,000 tonnes a year production, demand *for Jamaican coffee* would still far exceed supply – the coffee-loving Japanese *simply adore Bloe Mountain.*

The Financial Times

100 years ago

Revolution In Uruguay
When a South American Government announces that a revolution is completely quelled, it is pretty safe to assume that the Government forces have been driven into a corner. Therefore, when the official telegram was published announcing: "Insurgents are fleeing pursued by Government forces; they will most surely be defeated when overtaken," it was only in the nature of things that Friday should bring a message from an unofficial source stating that: "The Revolutionary Party are now practically in possession of the Eastern part of Uruguay, and they collect the Customs duties on goods coming from the Brazilian side."

50 years ago

U.S. Steel Strike Threat
Reports from Pittsburgh, the U.S. steel centre, yesterday said that unless there is some improvement in the wage talks which have been in progress there for more than two months between the U.S. Steel Corporation and the United Steel Workers' Union, about 800,000 steel workers may launch a nation-wide strike at the end of this month.

FINANCIAL TIMES
Thursday April 10 1997

European banks top privatisation table

By Richard Lapper, Capital Markets Editor

European investment banks last year won a bigger chunk of growing international privatisation advisory business, according to a survey published today.

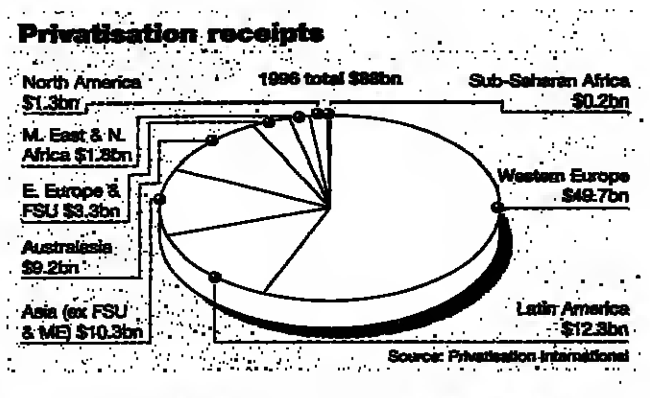
The survey, by Privatisation International, a specialist monthly publication, shows receipts to governments rose to a record $88bn in 1996, compared with $73bn in 1995 and $64bn in 1994.

European banks increased their share of business advising governments and, as global co-ordinators or regional lead managers, marketing and selling shares to investors from about 45 per cent in 1995 to about 60 per cent in 1996.

These gains have been made principally at the expense of North American investment banks, according to Privatisation International.

This partly reflected the fact that some 56 per cent of privatisations last year took place in western Europe, with last November's sale of some $13bn of shares in Deutsche Telekom, the German telecommunications company, the continent's largest ever sell-off.

Privatisation receipts



Source: Privatisation International

Latin America saw most activity after western Europe with governmants raising $12.3bn in 34 deals. Asian governments raised $10.3bn with 20 deals.

London-based advisers have benefited from their experience in British privatisation, the most developed European programme. SBC Warburg topped a table listing banks by the value of their deals, completing 58 transactions with a value of $61bn, while Credit Suisse First Boston came second with 55 deals worth $41.9bn. NM Rothschild advised on 72 transactions, the best performance by number.

The survey also ranks accountants and legal firms by their success in winning privatisation advisory work. Among accountants, Price Waterhouse won most business when measured by value, while Coopers & Lybrand won the greatest number of assignments. London-based law firms were prominent in the legal advisory field, with Freshfields winning the greatest number of mandates.

But Mr Henry Gibbon, editor of Privatisation International, said US firms were "continuing to make inroads". New York-based Sullivan & Cromwell was most successful, when measured by the value of mandates.

Fiat chief's court blow

By Paul Betts in Milan

Mr Cesare Romiti, chairman of Fiat, Italy's largest private group, was yesterday found guilty of falsifying accounts and given an 18-month suspended prison sentence.

The judge in Turin also gave Mr Francesco Paolo Mattioli, Fiat's chief financial officer, a 16-month suspended prison sentence on the same charges, involving the alleged use of off-balance-sheet funds between the mid-1980s and 1992 to provide illicit financing for Italy's political parties.

Mr Vittorio Chiusano, Mr Romiti's lawyer, described the sentences as particularly harsh and said he would appeal. Fiat had no immediate comment.

Fiat has consistently denied any wrongdoing, explaining that its accounts reflect the sophisticated structure of the group. The Turin magistrates had been examining Fiat accounts for more than two years, in particular the relationship of various Swiss and offshore holdings to the quoted parent company.

The outcome is a big embarrassment for the Turin automotive conglomerate, which has annual sales of L78,000bn ($46bn).

Until now, Mr Romiti, one of the most powerful figures in Italian business, had not been incriminated by any of the other trials and investigations conducted against Fiat.

If Mr Romiti and Mr Mattioli lose their appeals, their sentences would mean they would not be allowed to hold office. Italian television also reported last night that the Turin judge proposed to take judicial action against Fiat's entire executive committee.

The court did not give the reasons for the sentences yesterday. Under Italian law the judge has 90 days to give the motivations for his verdict.

Outside the court, some Fiat workers rejoiced after hearing the verdict. A group of 170 workers, most from a small radical union, had filed a civil damages claim of about L2m each for what they claimed were lost earnings as a result of Fiat's alleged balance sheet falsifications.

Mr Romiti became chairman last year when Mr Giovanni Agnelli stepped down to become honorary chairman. Mr Romiti, previously managing director, is due to retire next year. There has been consistent speculation that he hopes to take over at the top of Mediobanca, the secretive and influential Milan merchant bank.

Prodi battered, Page 2

The Limited accused over labels

Continued from Page 1

contract to produce tens of thousands of pieces of clothing between January and June 1996 for one of The Limited's importers. Bnt the factory, visited by investigators on 35-40 occasions, was not involved in cutting fabric and bad only a few sewing machines. The factory was frequentlyidle.

Mr Samuel Fried, general counsel for The Limited, said the company was "committed to full compliance with the spirit and letter of all legal requirements relating to the importation of goods into the US".

Cbina reports clothing exports of $13bn but other countries report imports from China of $23.7bn.

If tba institute is able to prove that The Limited knowingly mislabelled products, the government will be entitled to damages worth more than 12 times the total value of the imported merchandise. The institute could collect 15-25 per cent of the damages.

A clothing industry representative said tha institute had a strong motive for the suit: disruption of clothing trade with Asia, because several institute mambers have set up production in the Caribbean and Mexico.

Chinese plan to increase HK police powers

By John Ridding in Hong Kong

Hong Kong's government-in-waiting yesterday published proposals for tighter police powers over demonstrations and for curbing ties between political parties and overseas organisations.

The move confirms the long-held fears of the present administration and pro-democracy politicians that civil liberties will be eroded after Hong Kong returns to Chinese sovereignty on July 1.

Mr Chris Patten, the Hong Kong governor, condemned the proposed changes as a backward step for civil liberties.

He challenged the future government to reject the decision by China's National People's Congress that the laws must be changed. "The NPC is not Moses, bringing the tablets down from the top of the mountain," be said.

Launching a three-week public consultation period on the proposed changes, Mr Michael Suen, secretary for policy coordination, said the post-handover government was committed to the protection of human rights and personal freedoms in Hong Kong. "However, we must also strike a balance between civil liberties and social stability."

The proposals would require groups planning demonstrations to secure a "notice of no objection" from the police. They would have to apply for the notice at least seven days beforehand, although in exceptional circumstances the commissioner of police could accept requests up to 48 hours in advance.

At present, police need only be notified of planned demonstrations. They can prohibit protests but they also have the discretion to allow demonstrations with no advance notice.

A pre-1992 requirement for political parties to register with the authorities would also be reinstated. In addition, they would be barred from receiving funds or assistance from overseas.

The Democratic party said if all proposals were accepted they would be "a flagrant violation" of human rights guaranteed by the covenant and of Sino-British handover agreements.

Others, however, claimed the issue had been exaggerated. Mr Richard Margolis, a former British diplomat and vice-president of equity research at Merrill Lynch in Hong Kong, said the amendments largely restored previous laws which the territory's government had claimed were consistent with conventions on civil liberties.

War games, Page 10

THE LEX COLUMN

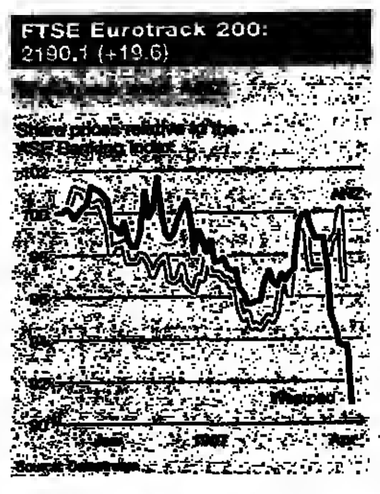
Aussie rules

Make me chaste, but not quite yet. That seems to be the approach of Mr Peter Costello, the Australian treasurer, to deregulation of the country's financial system. Ha is anxious to increasa competition, but worried about allowing too much concentration. So while dropping the restriction on domestic bank and life office mergers, and even foreign takeovers of banks, he is maintaining, for now, the prohibition on mergers between Australia'a big four banks.

Mr Costello should be bolder. Allowing mergers between the big four would be the best way of cutting costs, the bulk of which could be passed on to consumers. There is plenty of cutting to be done – Australia has more than twice as many branches per customer as the UK. And while banks like ANZ and Commonwealth Bank have started closing branches, a merger between two of the big four, with overlapping national networks, offers the greatest scope for savings.

None of this augurs particularly well for bank shareholders. Cherry-picking by non-financial institutions will cut margins, while the big four will be prevented from taking an axe to the cost base in the way a big merger allows. Still, shareholders should not despair. There is always the prospect of a foreign bidder – Westpac and ANZ, the favoured targets, have strategic appeal and reasonable price tags. And as Lloyds TSB has shown in the UK, insuranca offers another profitable avenne. No wonder the sector rose 2¼ per cent yesterday.

FTSE Eurotrack 200: 2190.1 (+19.6)



Russia

Those who argue that political and regulatory risks in Russia are on the wane should take a look at an obscure gold mining business in Siberia. One of the first privatisations after the collapse of Russian communism, Lenzoloto controlled mineral rights to the country's largest gold deposit. But the partial sale of the company to Australia's Star Mining is being reversed because the deal breached privatisation rules. The problem for other investors, however, is that the laws are so vague the bulk of the Russian stock market could easily be deemed to have breached these rules.

Of course, gold does strange things to people – hence the fervent wrangling by members of the Indonesian presidential family over the supposed spoils of Bre-X's Busang deposit. But government officials have also threatened that the aluminium industry could be taken back from "foreign capitalists". And while these are areas of little interest to foreign institutional investors in Russia, it sets a worrying trend. A new government that was less enthusiastic about privatisation would have a perfectly legal method of reversing numerous sell-offs – and might well be tempted to do so where it believed enterprises were sold too cheaply.

The Russian stock market has risen almost 60 per cent this year, and it still looks relatively cbeap. But Lenzoloto represents another reason why it should remain so, to add to obvious concerns over the quality of management and the creativity of company accounts.

Currencies

Optimism about European monetary union in 1999 and the favourable growth prospects of the US economy, compared with Germany, have been the main engines of the dollar's rally. Deaf to the recent cautionary strictures of the G7, it yesterday reached a fresh cyclical high against the D-Mark. This latest bout of exuberance has been fuelled by the belief that Germany would rather fudge the criteria for European monetary union than delay the process. Fudge is bad for the D-Mark, delay good. Or so the market believes.

There are no grounds for a big reversal in the dollar. Equally, the current enthusiasm needs to be tempered. It is at odds with the expressed intentions of G7 central banks – a situation unlikely to endure. Further, it is by no means a done deal that Germany will fudge Maastricht. The Bundesbank is unlikely to acquiesce. Moreover, the market is ignoring the fact that the relative growth prospects of the US and German economies are shifting in Germany's favour. A crossover is likely within the next year.

Sterling, of course, is following a similar trajectory to the dollar, belped by its status as a high yielder outside Emu. The big imponderable lies beyond the election. Even if Labour is elected, the prospect of an early entry into Emu, which had buoyed sterling, has receded. But given that higher interest rates or a gilts-friendly tightening of fiscal policy is likely, its gains look secure for now.

Tomkins/Stant

There are dedicated followers of business fashion and there is Tomkins, but the British conglomerate's $606m acquisition of Stant Corp does at least owe some debt to current business theory. With last year's $1bn purchase of Gates, Tomkins continued its insistence that it could lend a band to anything within tha broad spectrum of industrial manufacturing. But Stant offers genuine synergies with its existing portfolio – or to be more precise, with Gates. Distribution and head office costs will be stripped out, and Gates's greater market presence should boost Stant's sales.

Tomkins is pleased because earnings will be immediately enhanced. Even if Stant's profits remained flat, 1997-98 earnings would increase by 3 per cent. But if it had spent the money on a share buy-back it would have enhanced earnings by 5 per cent. Moreover, Stant's operating margins are already 9¼ per cent, so the upside is not enormous. And it is paying double Stant's share price of six months ago.

Nonetheless, the fit is such that it looks a sensible deal. The problem is that the management has now reconfirmed its theory that "cash is a strategic asset". This logic would stack up if it could not get financing from banks or investors; but that would be the case only if Stant were a lousy deal. Even post-Stant, Tomkins could still comfortably hand back £500m to shareholders, but its management has made it clear it will remain unfashionably parsimonious.

Additional Lex comment on St James's Place, Page 18

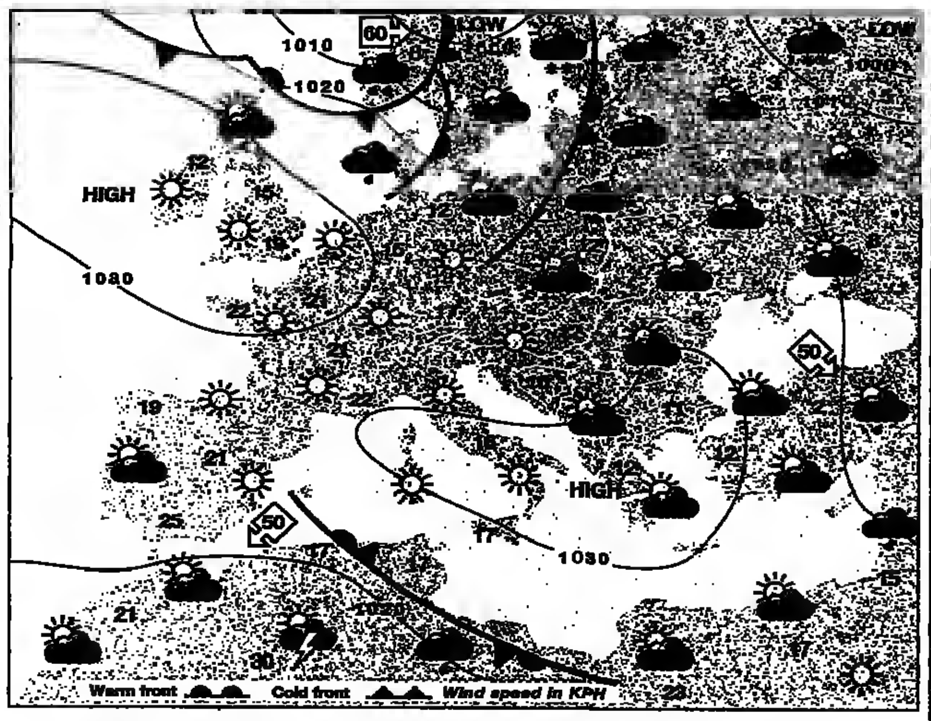
FT WEATHER GUIDE

Europe today

High pressure will bring sunny conditions to western Europe. The North Sea countries will be unseasonably mild.
Scandinavia will be cloudy with rainy periods as a frontal system moves towards the Baltic Sea. Another front will bring sleet to Finland and north-western Russia. High pressure will bring sunny weather to the central and western Mediterranean, but south-eastern Spain will still have showers and strong onshore winds. Rain with some thunder will linger over northern Africa. Conditions in Turkey will improve from the west, but snow and strong winds will continua in northern areas.

Five-day forecast

Scandinavia and central Europe will turn colder with showers as a cold front moves southwards on Friday. Tha British Isles will stay mild and mainly dry.
The western Mediterranean will stay sunny, but northern Africa and the eastern Mediterranean will continue unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 20	Caracas	shower 32	Faro	fair 21	Madrid	sun 20	Rangoon	sun 37
	Celsius	Belfast	fair 13	Cardiff	sun 18	Frankfurt	sun 20	Majorca	fair 17	Reykjavik	fair 4
Abu Dhabi	sun 33	Belgrade	sun 13	Casablanca	fair 20	Geneva	sun 18	Malta	fair 18	Rio	cloudy 23
Accra	fair 33	Berlin	sun 14	Chicago	snow 1	Gibraltar	fair 18	Manchester	sun 15	Rome	sun 18
Algiers	rain 18	Bermuda	shower 18	Cologne	sun 17	Glasgow	cloudy 13	Manila	fair 33	S. Frsco	sun 17
Amsterdam	sun 14	Bogota	thund 20	Dakar	sun 24	Hamburg	fair 12	Melbourne	cloudy 18	Seoul	fair 15
Athens	fair 12	Bombay	sun 33	Dallas	rain 21	Helsinki	shower 8	Mexico City	shower 25	Singapore	thund 32
Atlanta	sun 23	Brussels	sun 18	Delhi	sun 33	Hong Kong	rain 21	Miami	fair 28	Stockholm	shower 11
B. Aires	thund 26	Budapest	sun 13	Dubai	sun 32	Honolulu	fair 28	Milan	sun 18	Strasbourg	sun 20
B.ham	sun 17	C.hagen	cloudy 10	Dublin	sun 14	Istanbul	cloudy 6	Montreal	fair 8	Sydney	shower 21
Bangkok	shower 38	Cairo	sun 17	Dubrovnik	fair 14	Jakarta	shower 31	Moscow	fair 4	Tangier	fair 21
Barcelona	sun 18	Cape Town	sun 23	Edinburgh	fair 14	Jersey	sun 18	Munich	sun 18	Tel Aviv	rain 13
						Karachi	sun 34	Nairobi	thund 27	Tokyo	fair 17
						Kuwait	sun 29	Naples	sun 18	Toronto	fair 6
						L. Angeles	sun 19	Nassau	fair 26	Vancouver	fair 19
						Las Palmas	fair 23	New York	fair 8	Venice	sun 17
						Lima	fair 26	Nice	fair 18	Vienna	sun 15
						Lisbon	fair 22	Nicosia	sun 12	Warsaw	rain 12
						London	sun 18	Oslo	shower 12	Washington	cloudy 12
						Lux.bourg	sun 18	Paris	sun 21	Wellington	shower 18
						Lyon	sun 21	Perth	rain 26	Winnipeg	sun -2
						Madeira	fair 18	Prague	sun 15	Zurich	sun 18

CLOCKS, WATCHES AND JEWELLERY

Export figures for Swiss watches and clocks are healthy but there are growing concerns about the impact of counterfeiting. **Michael Balfour**, who wrote this survey, reports

Worldwide markets continue to expand

Basle 97 is tha 25th anniversary of the first "World Watch, Clock and Jewellery Show", the established annual fulcrum of the watch and jewellery trade, and all attendance statistics have once again increased.

The continued popularity of the event is a measure of the strong pulling power of the world's big watch brands, most of them Swiss, with the markets for watches and clocks around the world continuing to expand.

Just 15 of these markets – in the main those countries with the highest disposable incomes – accounted for 86 per cent of Switzerland's timepiece exports in 1996, according to the Federation of the Swiss Watch Industry.

The top importer was Hong Kong (which took exports to the value of SFr1,324.3m, down 6.9 per cent), followed hy the US (SFr1,044.3m, up 8.3 per cent). The third-higgest importer was Japan (SFr762.3m, up 12 per cent), in spite of continually recorded sharp drops in consumer spending, and a long-standing economic problems.

The United Arab Emirates, placed 12th in the import league, produced the largest increase in purchases from the Swiss watch industry (up 22.5 per cent at SFr151.8m), while the biggest decrease in imports was registered by Taiwan (down 20.2 per cent at SFr173.7m).

The stand-off in Taiwan's relations with China in the past few years are probably not responsible for this reduction in trade but counterfeiting may have had an effect, cutting into the sales of genuina merchandise. This is a lasting problem for leading brands, which know that about 10 per cent of the value of world trade is lost to the counterfeit salesmen each year.

In India, the problem is even greater. Titan, the country's leading manufacturer, reckons that about 50 per cent of wristwatches sold in India are either counterfeit or smuggled in. However this has not stopped Citizen of Japan establishing a plant in India, and production is schedulad to start this month.

The watch brands that sell in highest numbers in duty-free shops are those that attract tha detailed attentions of tha fakars. Those brands are, in order, Rolex, Omega, TAGHauer, Cartier and Breitling.

China is reputed to be a leading supplier of "wrong" wristwatches – but to its own population which increased by well over 20m last year. Already, millions of telavision sets are switched on every day in China and when modern communications media bave permeated tha country, on-line shopping will no doubt greatly expand the watch market there.

Connections are essential for doing business in China, and it will be interesting to see whether the 175-year-old Swiss hrand Bovet – re-launched at this year's Basle show – will once again become sought after in a former empire where three Bovet brothers commanded a valuable share of a huge market for enamelled watches.

Bovet is one of a number of fine old hrands being resurrected this year, including Atlantic, Perrelet and Tavernier.

As the date for China's takeover of Hong Kong approaches, Bulgari is marking the occasion with a unique wristwatch – limited to 1,997 pieces. Two more hava cases fashioned from platinum, and they are to be auctioned in Hong Kong in the run-up to July 1.

Special events and anniversaries are always a good excuse for manufacturing an unusual timepiece. Special watches are coming from Breguet, which this year celebrates its 250th anniversary. Emmanuel Breguet, the eighth generation of his family to be involved in watches, has produced a magnificent hook for the occasion, and the brand's owner, Investcorp, will he looking to repeat its investment successes with Tiffany and Gucci.

Gucci doubled its profits last year, and its share price, quoted in Amsterdam and Naw York, has increased impressively in recent months. In 1996, it lifted net profits to $168.4m on net sales up 76 per cent at $880.7m.

Audemars Piguet is marking the 25th anniversary of its very successful Royal Oak wristwatch range with a special commemorative edition. And the family-controlled French watchmaker Michel Herbelin will be celebrating its 50th birthday in Basle.

Companies with no great history also flourish. On the Hong Kong stock market, six watch companies are quoted: Asia Commercial, Egana, Herald Holdings, National Electronics, Peace Mark, and Stelux. Dallywin is Hong Kong-hased but quoted in London, whera its shares have been falling sharply.

Timex Corporation, based in the US, has an option on 2.25m shares, which bas recently been extended by 18 months. In February it took up just 100,000 of these.

The Hong Kong company has world rights for Timex watch movements and it also manufactures complete wristwatches for several brand names such as Accurist, Casio and Sekonda.

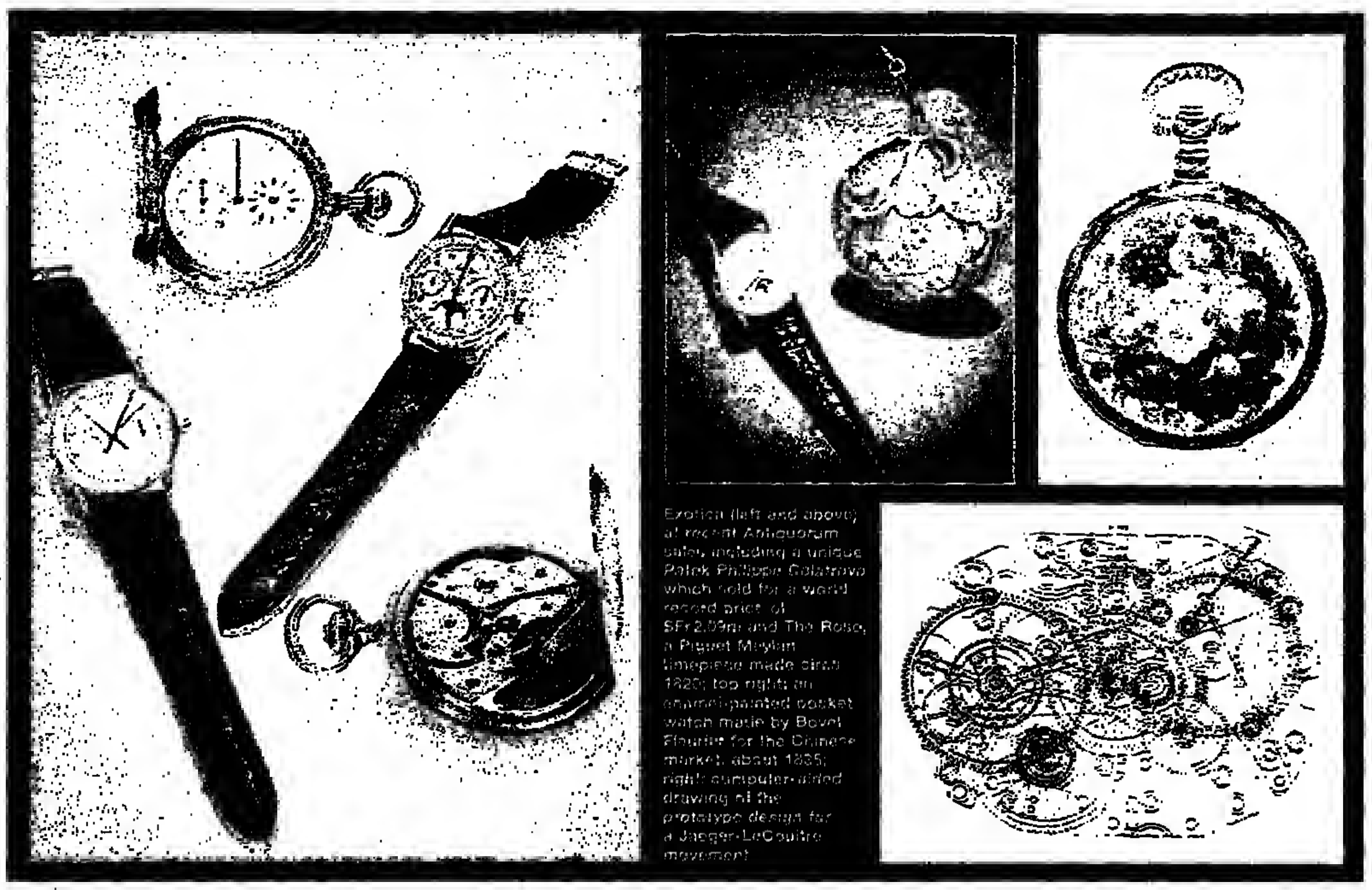
A distinct trend in the watch, clock and jewellery trading world is for manufacturers and hrand owners to rein in franchises and distribution agreements as they approach renewal dates.

TAGHeuer went further at the turn of the year when it acquired its exclusive UK distributor, Duval.

The Salon International de La Haute Horlogerie held its exclusive trade exhibit in Geneva a few days before Basle 97. This year in Geneva, the Meisterstück watch collection was launched hy Monthlanc, the writing instrument company. Lucky Star watches came from Cartier, and other new models were shown by Baume & Mercier, Dunhill, Piaget and Yves St Laurent.

These companies all belong to the Vendóme Group of luxury goods companies, which are this year joined by a new acquisition, the venerahle Vacheron Constantin (founded in 1755 in Geneva), alongside annual guest Franck Muller.

These exhibitors, it is fair to say, will be losing little sleep over Nokia's current prediction that there will be wristwatch telephones within eight years.



Exotica (left and above) at recent Antiquorum sales, including a unique Patek Philippe Calatrava which sold for a world record price of SFr2.09m and The Rose, a Piguet Meylan timepiece made circa 1820; top right: an enamel-painted pocket watch made by Bovet Fleurier for the Chinese market, about 1835; right: computer-aided drawing of the prototype design for a Jaeger-LeCoultre movement

Production Editor: **Philip Sanders**

BASLE 97: A PREVIEW

Mecca for the trades

This year, the 25th anniversary of the modern show, there are 2,480 exhibitors

The annual World Watch, Clock and Jewellery Show which opens today in Basle is a mecca for anyone remotely involved in these trades. Visitors and exhibitors include materials suppliers, mannfacturers, assemblers, distributors and retailers. The general public pays to visit exhibits, althougb sales are not allowed.

This year, which marks the 25th anniversary of the modern show, thare is a total of 2,480 exhibitors, of which 620 represent watch brands, 1,821 are in jewellery and gemstones, and the balance is made up of clockmakers, tools and parts manufacturers, and a few journal and books retailers.

Bulgari's Solotempo, aimed at a young clientele, is scheduled to be launched today

Nearly 80,000 people are expected to visit the 68,000 sq m of exhibition booths, and tbey will encounter products from 34 countries. Switzerland tops the table of watcb exhibitors, with 255 companies represented, while in jewellery Italy has 350 exhibitors. Germany has 339 jewellery companies present and Britain has 16 booths for watcbes and clocks and 41 for jewellery.

Constant annual expansion of the show means that available space and exhibition facilities have come under close scrutiny. The outcome is a new set of halls, to be available after the 1998 show, providing an extra 19,000 sq m of exhibition space. A tower will bouse multi-purpose back-up facilities, in the manner of Frankfurt's Messeturm.

The Basle show organisers, under the guidance of Mr Jacqnes Dûcbene (of Rolex), president of the exhibitors' committee, monitor the suitability of potential exhibitors. The integrity and value of this trade fair is of paramount importance to the organisers and the ancient university of Basle. Perhaps this is wby there is a waiting list of 250 companies wishing to exhibit – and the exhibitors' panel will ensure that many remain there. Mr Dûcbene confirms: "Adherence to a free-trade policy is a fundamental condition for the admission of exhibitors and we are deeply concerned by the prohibitive import taxes levied by certain governments."

The new steel and glass halls will enshrine well-lit booths organised for the first time by market sectors – such as luxury and sports, for example – and construction time for the buildings has been set at precisely 46 weeks.

New products tend to emerge at trade fairs – both for market researcb purposes and also to generate firm sales to foreign distributors. Zenith produced the world's first automatic chronograpb movement, the El Primero in 1969, and this week sees its launch of the Rainbow Fly-Back which allows pilots instantly to carry out a new timing measurement with a pusb on a single button. Zenith's other revolutionary movement, the Elite, is now boused in tbe Chronomaster Power Reserve, with its new reserve indicator.

Pilots' watches are in fashion this year. The Oris Big Crown Commander is a large, round, mechanical piece, with a subsidiary seconds dial at 9 o'clock. Its pointer calendar rotates anticlockwise around the black dial with its luminous hands and dial. The Official Swiss Air Force Watch makes its first landing at Basle 97, with three fighter aircraft roaring across its dial. It joins the Swiss Army Watch in retailers' sbowcases, along with the famous Knife.

The Fortis Official Cosmonauts' Chronograpb bas been tested in outer space, and will be used during the forthcoming construction of the international space station Alpha 2001.

Perrelet's new Air Zermatt series celebrates the Alpine rescue teams whicb cope with appalling weather conditions at heights of more than 4,000m. Zermatt is at the foot of the Matterhorn, where eight belicopters are always on call.

Breitling usually has a new pilot's watch to show, but this year it went seawards with the Mata-Rangi chronograpb which is a limited piece issued in connection with a three-year sailing expedition on a raft made from reeds.

The spread of coloured dials is a distinctive feature in the wristwatch manufacturing business this year. Andemars Piguet's Royal Oak has this week been the centre of celebrations of its 25th anniversary, and the Offshore version (in a middle size, for botb men and women) is available with the following colours in its distinctive screwed-down steel case: apple green, chestnnt brown, orange, red, turquoise, violet and yellow.

One of the pleasures of the Basle Show is to discover new makers of promise. Chagal, founded in 1993, is sbowing its new Altitude Diver whicb is water-resistant to 200m. Two-year-old Gevril, part of the huge UTime Company, has produced a limited edition (50 pieces) of its Perpetual Calendar which is programmed up to the year 2099.

And this year a new French manufacturer, Roger Cornet, makes its debut with its automatic Versailles, with a power reserve of 40 hours. The company realises the potential of exhibiting at Basle 97. Now it is up to the product.

LUXURY WATCHES

Glittering accessories

Limited editions are regularly produced to commemorate great events

Every well-stockad watch wardrobe tbsse days includes a special wristwatch for special occasions. Worn well-hidden in the street though it may have to be, a luxury watch goes naturally with haute couture, a fine fragrance, with the leather interior of a stretch limousine, and a day out in the Royal Enclosure at Ascot.

The luxury end of the market has always been well provided for.

In the world of what the French call *haute horlogerie*, limited editions are regularly produced in commemoration of some great event, be it a unique sea expedition (Breitling's Mata-Rangi), a model anniversary (Audemars Piguet's 25th, of the Royal Oak), or a company foundation (Breguet's 250th).

The limited numbers vary from perhaps just three to possibly 1,000 or 2,000. Exclusivity is what collectors are after, and such wristwatches are always expected to function perfectly. After all, the same goes for Rolls-Royce and Bentley cars. Chassis numbers are essential to both watches and cars.

Selective distribution was allowed by the European Court in 1991, after an appeal by a French supermarket group was turned down, and so control of the outlets is safely in the hands of big jewellers (who are also watch retailers) such as Bulgari, Cartier, Gucci, Hermès, Tiffany and similar shopfront names.

The widest selection of luxury watches can be found in the so-called flagship stores of these companies. Chaumet, at present being primed for flotation by Investcorp, is opening a shop in Knightsbridge, London, at the end of this month. Next antumn, Movado, Piaget's exclusive US distributors, is scheduled to open a Piaget store on Fifth Avenue in New York.

Piaget is about to produce a gold diver's watch with a skeleton back. But perhaps TAGHeuer have gone one better. Its new 6000 series now ehowing at the Basle sbow features a dlver's wristwatch with a platinum case.

TAGHeuer has come a long way in just a few years in its "great outdoors" market, as its new company history *Mastering Time* testifies. Mr Christian Viros, chief execntive officer, recently announced a 10.6 per cent increase in sales for 1996 to £177.8m.

Time Products, a distributor based in London's Mayfair, has an enviable portfolio of luxury franchises consisting of Audemars Piguet, Blancpain, Breguet, Franck Muller, Girard Perregaux, Piaget, Alain Silberstein and Vacheron Constantin. Vacberon Constantin has just been acquired by the Vendôme Luxury Group, so it remains to be seen whether the licence stays for long with Time Products. Sales in 1996 totalled £91.01m with pre-tax profits of £16.59m, and the company has a very substantial war chest for acquisitions and expansion.

A world timer watch by Breguet which celebrates its 250th anniversary this year

At Basle 97, luxury sector watcbes handled by Time Products have new models on display. There is a Royal Oak automatic toubillon (only 25 pieces in stainless steel), the 25th anniversary Royal Oak mentioned elsewbere in this survey; Blancpain is showing a new diver's watch; Girard Perregaux bave a toubillon minute repeater split seconds chronograph and also the Tour de France, a centre seconds chronograph with two subsidiary dials.

Bulgari is about to produce an exciting new chronograph which it is manufacturing itself in Neuchâtel. Chopard has gone the same route, and this week is launching a new LUC automatic made in a new purpose-built factory in Fleurier. And its new mini-watches, set with diamonds, look perfect for ladies who lunch.

In the luxury watch market, few companies can matcb the reputation of Cartier. This buge group rolled out its new Tank Française last year with memorable aplomb, as key watch people and celebrities flocked from all over the world to a Geneva cbateau specially acquired just for the evening. Already, there are reports that the watch is in profit.

In the year to March 31, 1996, Vendôme Luxury Gronp, a subsidiary of Compagnie Financière Richemont AG (controlled by the South African Rupert family), increased its profits by 12.3 per cent to £249.7m; its gold and jewellery watcbes were up 11 per cent. Vendôme owns the watch brands Alfred Dunhill, Baume & Mercier, Cartier, Piaget and Vacheron Constantin.

Mr Joseph Kanoui, tbe chairman, has described current trading as "satisfactory" considering the Swiss franc's strength. Luxury wristwatches are doing fine.

PROFILE Titan

An Indian success story

Since a series of market deregnlations started in the early 1990s, India has been welcoming a stream of international companies. And in the 50th year of its independence, foreign investors are taking India's economic future very seriously. They pumped in more than $4.3bn in 1996.

The vehicle industry, for example, is now finding India and its workforce an attractive proposition. Volkswagen has just joined Daewoo, Fiat, Ford, Hyundai, Mitsubishi and Peugeot with practical plans and domestic partners, with beavy and confident investments.

The giant Indian industrial conglomerate Tata Group decided more than 10 years ago that a watch industry would have a secure future, and now India has one. Titan Industries, maker of wristwatches, clocks and jewellery.

The Tata Group is widely known for its international co-ventures with such companies as AT&T, BP, Hitachi, IBM and Mercedes-Benz, and is the leading investor in Titan Industries. Its minority partners are Tamil Nadn Development Corporation, Unit Trust of India, and International Finance Corporation (Washington).

Titan was established as recently as 1986, with an investment of $130m, and prototype wristwatches were emerging by April 1987. One interesting aspect of the operation is that it was a "greenfields" enterprise. No factory was acquired from Switzerland or anywhere else. No pieces and parts were sought for bolting together. Instead, the best possible advice was taken from around the world on bow exactly Titan should establish itself once its initial aims and objectives were in place.

Designs and technology came France, Japan and Switzerland. Watch straps were initially sourced from Austria; cases from Japan. Mr David Ogilvy, founder of Ogilvy & Mather Worldwide, once wrote: "Titan is an international watch company that just happens to be in India."

Today, Titan commands more than 60 per cent of the Indian market, and estimates that one of its watches sells every three seconds. It makes almost all its own components for a range of more than 400 watch models in a choice of more than 1,000 styles.

The workforce of 3,000 is part of a completely integrated operation in a 30,000 sq m factory in Tamil Nadu, near Bangalore, India's technological centre. In its first year in operation, Titan achieved an output of 750,000 complete wristwatches, under the leadership of Mr Xerxès Desai, its vice-chairman and managing director.

Titan is about unit volume, quality control, profitable margins, marketing and promotion. Its watch prices range from £840 to just £8, for timepieces which range from a chronograpb with an alarm function to a plain dial timekeeper. All their cases are in stainless steel and are water-resistant to 30m. Every one of them is individually numbered, guaranteed for two years and comes in a red box.

Titan has never stopped its expansion. "It is a balanced portfolio of countries," says Mr Shridhar Subramaniam, marketing manager. The company now has offices in Dubai, London, New York and Singapore. It has 200 showrooms in India and the Middle East, 4,500 other Indian outlets, and sells through 1,000 stores throughout Europe. Worldwide, Titan's retail points exceed 7,500. Mr Desai says: "We are no longer in the watchmaking business. We are in the personal accessories business and are scouring the market for opportunities for value addition."

Xerxès Desai: 'We are scouring the market for opportunities'

The Tata Group is controlled by Tata Sons, which is ultimately controlled by philanthropic family trusts. In spite of its annual turnover of more than $9bn, sight is never lost of the Parsee origins of the family. This probably explains why some 20 per cent of Titan's employees are disabled women who benefit from subsidised housing on a site which is practically self-sufficient, with paid-for medical centres, canteens, creches, schools, good sanitation, and classes in social skills.

It is really more like a university campus, except that it is watches that emerge from the gates at the end of the day, heading for very receptive world markets. More than 4m were produced in 1996.

SWISS WATCH INDUSTRY

A bankable reputation

Switzerland relies on high quality output to maintain its world leadership

It is estimated that 40 per cent by value of all Swiss advertisements in internatiooal media promote wristwatches, not hanking facilities.

This spending is not simply on account of a national obsession. Mr Jean-Pascal Delamuraz, Swiss minister of economic affairs, says: "The Swiss watch industry is a key sector of our economy. The quality and the high standard of technology of our watcb manufacturers, supported by exemplary marketing achievements, make Switzerland the number one watch producing country." He adds: "To keep at the forefront of industrial development Switzerland must continue to renew her economic structure and attain peak performance in innovation and creativity."

The Swiss watch industry has endured two difficult years, but the last quarter of last year saw encouraging stabilisation. According to figures issued recently by the Federation of the Swiss Watch Industry, which represents 96 per cent of its manufacturers, Swiss watch exports increased by 6 per cent in the last quarter of last year, having fallen 4.7 per cent in the first half. Watcb exports amounted to SFr7.55bn last year, a fall of 1.6 per cent, compared with a decline of 3.6 per cent in 1995. Clock exports fell 13.7 per cent to SFr128.8m.

Tha big story among these trading figures is tbe increasing appeal of stainless steel wristwatches in the middle market. In the January to November 1996 trading period exports of steel cased watcbes increased by 25 per cent in both valoe and unit terms.

Although mecbanical (wind-up) watches account for only 10 per cent of timepieces bought in Switzerland, they contribute oearly 50 per cent of the trade's exports by value.

There are perceptible cbanges and trends within these statistics. Platinum is challenging 18-carat pink, white and yellow gold as a case metal. It is particularly favoured for numbered limited editions of what the trade calls "complicated" models.

Gemstones continue to feature on some models in most manufacturers' catalogues and stone values ensure a dependable "previously-owned" market in the salerooms. Piaget is prominent in this field.

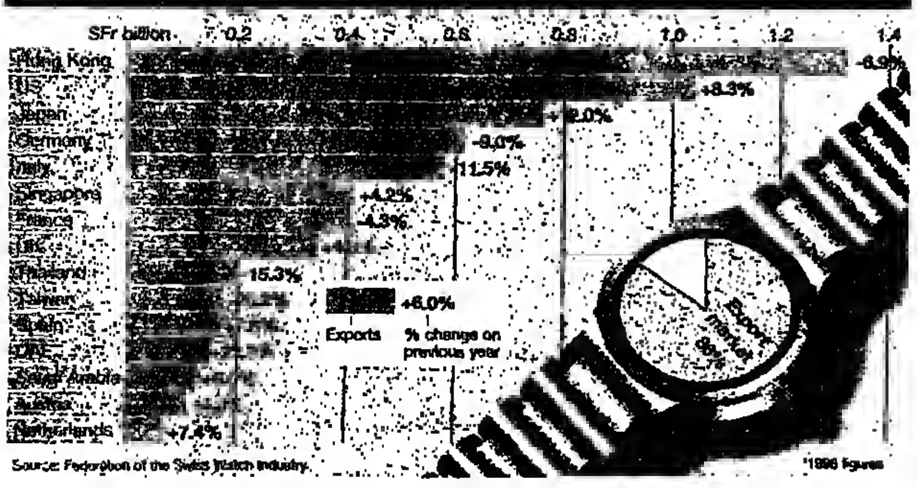
In London's Bond Street there are several wristwatches "each uniqua and never to be reproduced" on sale for sums approaching £1m.

Last year, according to Federation of the Swiss Watch Industry figures, the UK imported watches and movements from Switzerland worth SFr322m, an increase of more than 4 per cent. Imports by the US, the world's biggest watch market, were worth SFr962.6m. Japan, with its buge fashion-conscious and brand-led youth market, took imports wortb SFr733.4m. Lower imports from Switzerland were registered by Italy (11 per cent down) and Germany (9 per cent down).

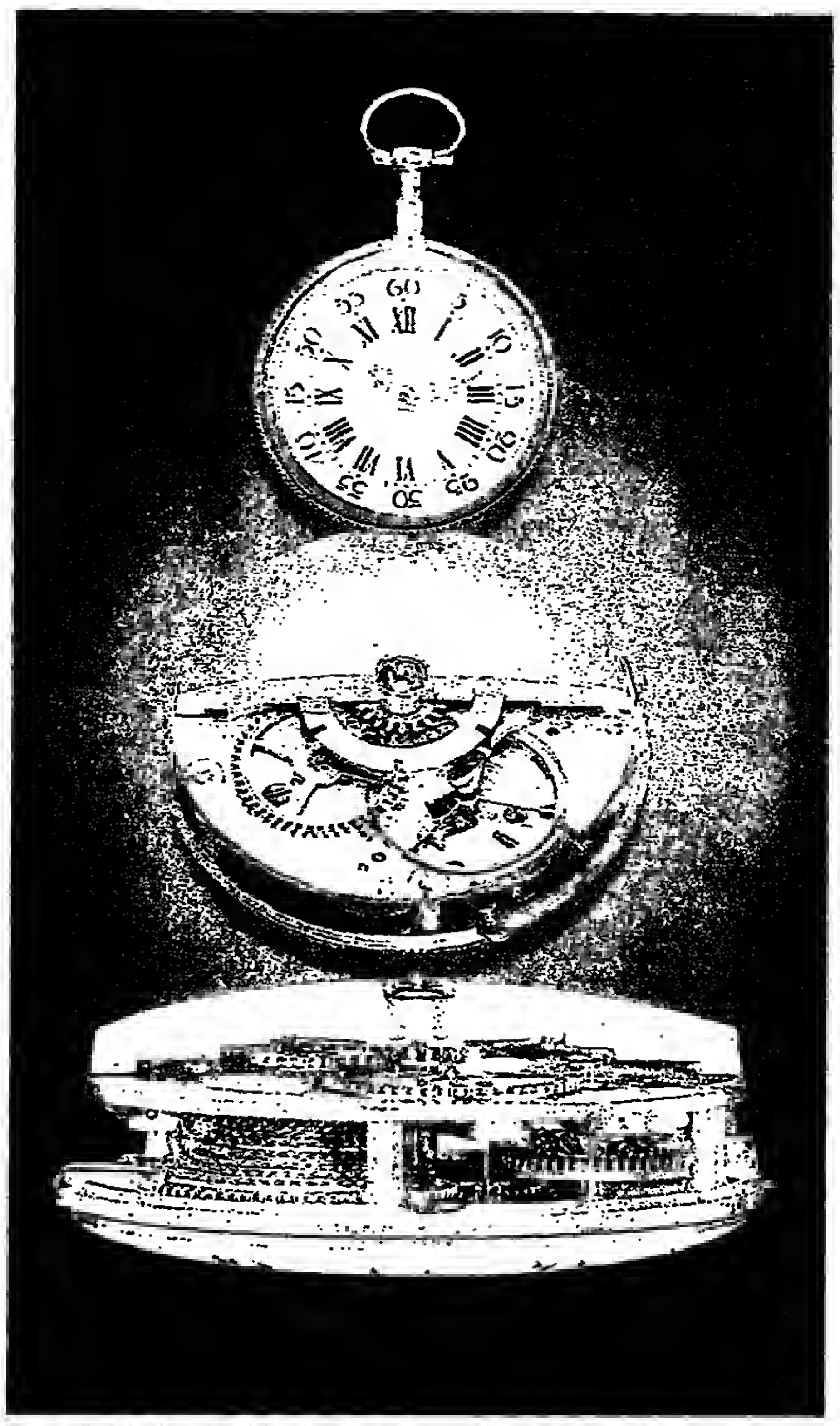
Mr Frank Edwards, the federatioo's UK representative, said recently: "In spita of increasingly sophisticated methods of telling the time, the words "Swiss Made" still have a considerable attraction for the Britisb watcb buying public, and especially in the more luxurious end of the trade."

Based in an economy whicb has performed less well tban any other European country except Finland in the past six years, Swiss watcb manufacturers are keeping a close eye on both their highly valued export markets and their competitors' products.

Clock and watch industry: Switzerland's main export markets*



Source: Federation of the Swiss Watch Industry *1996 figures



The world's first automatic watch which was made by Abraham-Louis Perrelet in about 1770

FOCUS Learning the trade

Industry may suffer from labour curbs

In a referendum in November 1996, 67 per cent of Swiss voters rejected proposed labour law changes which woald have provided longer working hours and lifted a ban on Swiss women working night shifts.

This will not belp the watch industry, which is facing rising labour costs and a possible decrease in the numbers of apprentices.

The Swiss Employers' Association expressed regret at the high rejection figure which will make it more difficult for the industry to recruit French watchmakers, many of whom are continually seeking jobs in the Jura mountains.

The number of companies actively involved in watchmaking in Switzerland is put at 606, with 34,000 workers. But with the Swiss economy expected to grow scarcely at all this year, and with unemployment figures at their bighest since the 1930s, bow are the watch manufacturers planning for the future?

Improved demand for Swiss timepieces in tha last quarter of 1996 reduced a decline in demand to just 3.6 per cent compared with 1995, so investments in materials, machines and people continue.

Two institutions share the main responsibility for vocational watch training: the Employers' Association of the Swiss Watchmaking Industry, and the Watchmakers of Switzerland Training and Educational Programme (Wostep).

There are also seven watchmaking and microtechnology schools which, in collaboration with companies, give training in watchmaking's five basic branches: repairs, microtechnological drawing, micromechanics, microelectronics, and assembly.

They also cover about 40 other related subjects in the fields of mechanics, watch repairing and sales.

Wostep, founded jointly by Ebanches SA (now part of SMH) and the Federation of Swiss Watch Manufacturers, is rapidly expanding its horizons.

More than 120 member companies now fund Wostep, which was founded in 1966. It is the only school of its kind in the world, and welcomes students from every continent (its courses are beld in English).

From new premises in Neuchâtel, Wostep has started a five-year plan to reach 80 watchmaking schools around the world – and provide each with a 3,000-bour edncation programme together with technical help and equipment.

In the UK, schools in Birmingham and Manchester are taking part. Others are located as far apart as China, Scandinavia and Sonth Africa. Wostep's aims are reflected by a predicted need for 25,000 watch repairers around the world by the year 2000.

QUARTZ WATCHES

Oscillating crystals now rule the world

The world's wristwatch markets are led by quartz analogue pieces

The great majority of the world's wristwatches (about 1.09bo were sold last year) are driven by quartz movements – synthetic rock crystals made to oscillate by electronic switching to provide highly accurate timekeeping. Parts of a single second per year is the reference.

Most, but not all, leading mecbanical watch brands now have quartz lines (not Blancpain, as it always proclaims), to extend the use of their brand reputations. Rolex's Tudor line is one prominent example.

The first hattery-powered electronic watcbes were developed in 1952 more or less simultaneously by Lip in France and Elgin in the US.

Switzerland had the capability to manufacture them, but at that time did not taka the poteotial too seriously. Swiss engineer Max Hetzel invented an electronic tuning fork watch called tbe Accutron for Bulova: It was produced between 1960 and 1976. An Accutron ultra-accurate timing device was left on the moon io July 1969 when man first landed there. Omega produced the first chronograph combining LCD and analogue time displays in 1975.

Today, the clear leaders for market share in the world's wristwatch markets are quartz analogue pieces. There is a declining demand for quartz digital displays on wristwatches, but these movements continue to bold their appeal for novelty gadgets, travel terminals, car dashboards and sporting events.

The first Swiss-made quartz watcbes were put into quantity production as early as 1970, after pooled research and development at tha Centre for Electronic Horology in Neuchâtel produced its first quartz-based movement called ta I. In the same year, five companies displayed wristwatches with quartz movements: CEH, Girard Perregaux, Hamilton, Longines and Seiko. The quartz revolution was under way.

The world's first quartz watch for ladies was released by Seiko in 1972, while companies sucb as Bulova, Ebel, IWC, Patek Philippe, Rado and Rolex increased tbeir involvement in the quartz watch area.

But then the industry faltered in its confidence in these new, inexpensive and highly accurate movements. It figured that Swiss mechanical watchas would always hold their appeal at a profitable level. It was wrong, and many fine old brands went to the wall (althougb some have since been revived).

Meanwhile, Japan had pursued the alternative view of the future of quartz, and made early progress.

Seiko is part of the Hattori family's huge industrial interests. This brand is a sbortened form of Seikosba (founded in 1892) which was later acquired by H. Hattori (formed in 1881).

Seiko manufactured a quartz chronometer to time the 1964 Olympic Games, and was just ahead of the Swiss with the world's first commercially viabla quartz wristwatch in 1969. For the technically minded it incorporated 29 condensors, 76 transistors, an oscillator, and 83 printed resistors – all in a movement just 11mm thick. It had 128 soldered connections holding everything together. This was the watch that triggered wbat has become known as the "quartz revolution" that caused so many horological enterprises to founder in the Swiss valleys.

Mr Jim Weare, managing director of Seiko UK, summarises the appeal of quartz watches: "They offer consumers incredible accuracy and reliability at very affordable prices. We can also offer through the electronics of the quartz watch a whole variety of additional functions – from depth and altitude sensors to databanks and multi-stop watch timers. Finally, because of the long battery life of a quartz watch, it is always 'ready to wear' – and this very much belps the trend towards multiple ownership of watches."

Pulsar, a hrand in the Seiko family, is finding success with its range of quartz timepieces, judging by its increase in UK market share of 62 per cent since 1992.

Raymond Weil, recently voted Britain's Watch Brand of the Year for 1996-97, is marking its 20th anniversary this year with the Duo Jubile, with two time zone dials and two winding crowns, which run on two separate quartz movements in the same elegant case. Raymond Weil is Switzerland's fourtb-largest watch producer by volume.

Ever since Omega produced a prototype of a voice command wristwatch in 1988, imaginations have been adjusting the frontiars of microengineering achievements on the wrist. Swatch Access allows skiers through ski-lift gates and, in entry price terms, it can ba reprogrammed, as it has been already for 360 resorts in more than 30 countries.

In Salzburg, the watch can be used for debiting the costs of hotels, restaurants and tourist attractions.

The Lorus range of Tri-Lum wristwatcbes are quartz timepieces powered by the energy of any source of light (not just daylight). The Lumibrite white dial is virtually invisible, but gathers, for example, six hours of energy for the movement from an overhead fluorescent light. Timex has found a big worldwide market for its Indiglo watches. Wherever the wearer is – under the sea or in the opera house – a push on a button reveals the time.

Citizen's research sbowa that it was the world'a largest manufacturer in 1996 witb aoma 44m pieces. Quartz analogue watcbes account for more than 85 per cent of its output, with Eco-Drive and Promaster topping its cbarts.

BRANDING

Widespread recognition

Intellectual property rights are enforceable and potentially very valuable

The term "brand enhancement" is becoming a cliché in financial commentaries – but the expression remains essential to an understanding of product value and its ultimate realisation through to balance sheets.

Mr Xerxès Desai, managing director of Titan, the Indian watch manufacturer, says: "Brands are, in the ultimate analysis, public perceptions of products or services offered by a marketeer. The word epitomises not only products or services, but, more importantly, the benefits the marketeer provides, the promises he delivers, the values with which brands are associated and the positioning they occupy in the hierarchy of brands – a hierarchy of both quality and price."

Widespread recognition of the valne of brand names has created a rash of actions in the courts. In Britain, the 1994 Trade Marks Act was a legal response to a European Union directive which furthered protection to owners of registered trademarks. In its wake, intellectual property rights are being recognised for what they are – enforceable and potentially valuable.

And, following e High Court decision in January this year, the Internet is subject to the same protective laws. But registration is all-important. Smithkline Beecham can only look on as a Hong Kong company uses Lucozade and Ribena on the Internet.

Calvin Klein is the latest fashion house to extend its name to wristwatch dials, and it has gone beyond a simple "licence in exchange for royalties" deal. The New York company has set up a joint venture with the giant Swiss watch group SMH. It is called CKWatches, and Calvin Klein has a 10 per cent stake in the venture. There are to be two watch collections; Calvin Klein (upmarket) and cK for less expensive lines.

This exemplifies a trend towards direct equity participation by brand owners with potent and stable regional partners. In turn this opens up opportunities for another aspect of the trend – intellectual securitisation.

After a royalty income pattern has been established, business development loans can be negotiated against regular future earnings.

The extension of brand enhancement into timepieces has a pleasing knock-on effect for manufacturers. In Japan, about one-third of Citizen's sales come from its stable of franchised watch dial names such as Elle, Jean Paul Gaultier, Kangol, Kookaï and Paul Smith. For cultural reasons, however, Japanese brands have not gone the other way; there are no Citizen and Seiko non-watch branded fashion accessories in Europe or the US.

As a gloss on brand positioning, Mr John Kay, director of the School of Management Studies at Oxford University, recently remarked: "The most important function of brands is quality certification." Which is why the retail market is highly unlikely to welcome on to its shelves Patek Philippe silk scarves, Rolex blue jeans, or Vacheron Constantin leisure wear. The public perception of such product launches is just not there.

However, Vacheron Constantin has just joined the Vendôme Group of luxury goods brands, so its brand may yet be enhanced. After all, Mont Blanc (also in the group) is known solely for its distinctive writing instruments, but on April 7 in Geneva, at the Salon International De La Haute Horlogerie, it launched a range of wristwatches. Cartier is also in the Vendôme Group, and through most of its 150-year history it has manufactured and retailed a wide range of accessories to aid lives of luxury alongside its famous wristwatch models.

Bulgari's wristwatch to mark China's takeover of Hong Kong

The background to the success of cross-branding was summarised succinctly last year by the new chief executive of J.W. Thompson, Englishman Chris Jones: "In 1985, one billion people lived in free market economies. In 1995, the figure was four billion." This explains why this year JWT is rolling out its Total Thompson Branding programme, which is aimed at understanding "how people all over the world consume commercial communications."

Bulgari wristwatches are an important contributor to the Italian jeweller's turnover (which in 1995 was L385.3bn, up 33 par cent). The family-controlled company is the third-largest jeweller in the world, after Cartier and Tiffany, and it invests heavily in accessories. Nevertheless, it has its own watch factory in Neuchâtel, and it contributes 40 per cent of Bulgari's annual turnover .

Bulgari also owns 40 per cent of Girard Perregaux's movement division. Francesco Trapani – nephew of the Bulgari brothers Paola and Nicola and chief executive officer of Bulgari – has commented: "The prestige of the Bulgari trademark and our company's know-how will permit us to develop in all areas of the luxury goods business."

The same profile can be seen at Hermès, where Mr Jean-Louis Dumas, the chairman, announced 1996 sales of FFr4.18bn on March 25. He said: "Watches, up 18 per cent, are now one of the group's main businesses." Hermès plans to open retail outlets in Antwerp, Beijing, Hamburg, Malaysia, Prague, Thailand and Turin, and also a flagship store in the fashionable Ginza district of Tokyo.

Other international designer labels are enhancing their brands with exciting ranges of wristwatches: Benetton, Burberry, Carven, Chanel, Christian Dior, Christian Lacroix, Dunhill, Fiorucci, Gianni Versace, Gucci, Guess, Guy Laroche, Joe Boxer, Lacoste, Leonard, Karl Lagerfeld, Lanvin, Maurice Lacroix, Mulberry, Pierre Balmain, Pierre Cardin, Rochas, Timberland and Yves Saint Laurent.

And so are jewellers such as Asprey, Boucheron, Chanmet, Collingwood, Dianoor, Garrard, Graff, Harry Winston, Kutchinsky, Mappin & Webb, Ren Boivin, Tessiers, Tiffany and Van Cleef & Arpels.

Brand imagery is rife. China has internally-manufactured watch brands which it intends to promote rigorously. A Lego wristwatch is on its way. Terry Leahy, chief executive officer of UK superstore chain Tesco, has just announced that Tesco is to be developed as a brand. And there are rumours of a Virgin wristwatch.

INTERNATIONAL AUCTION HOUSES

Running for centuries

Buyers are able to experience the thrills of the chase when they visit salesrooms

Auctions have been popular vennes for the trading of watches, clocks and jewellery for two centuries and more.

The goods can be previewed, professional advice is on hand, the reputation and expertise of the auctioneer is behind the pre-sale estimates, and the thrill of the chase among prospective purchasers is in vivid contrast to the nervousness of lot owners.

All respectable auctioneers hold preview days, and now they often include a Sunday. A serious buyer must attend, and will have free use of a well-illustrated, explanatory catalogue.

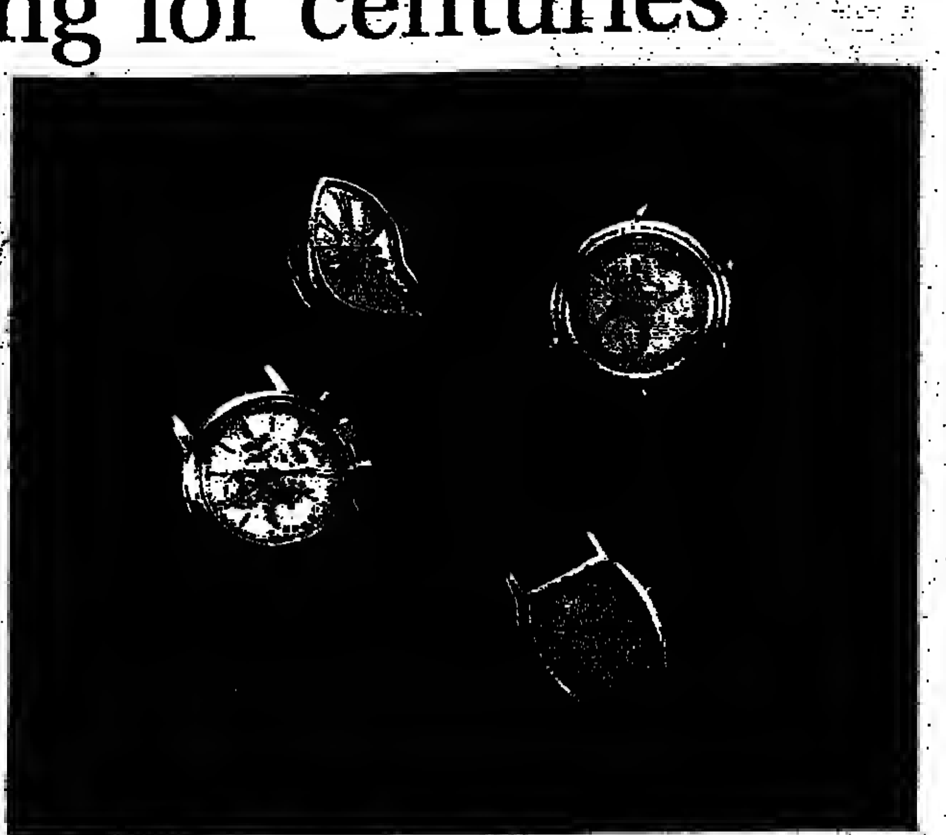
The "small print" in the conditions of sale is lengthy and invariably incorporates a denial of responsibility for the estimates of certain brands – those that have gained the attentions of counterfeiters, in which field the leaders are Rolex, Cartier, TAGHeuer and Gucci.

Sellers and buyers both pay commissions on successful bids, and these vary slightly from country to country. Traditionally, auctioneers pitch their pre-sale estimates on the low side and they do not include buyers' premiums – these generally decrease once an established bid barrier has been passed.

Substantial regular buyers enjoy up to 30 days' credit – which makes a subsequent "trade" possible and keeps the business of auctioneers viable.

Sotheby's, the American-owned financial services and real estate group and auctioneer, has reported a 26 per cent jump in its 1996 income from auction sales, to $40.9m on sales of $1.6bn. Works of art were the principal contributors to these figures, but watches figured prominently.

Ms Tina Millar, Sotheby's watch and clock expert in London, says: "Stainless steel wristwatches have increased considerably in price over the past three to four years. The trend began with Patek Philippe, who only made a limited number, and then it seeped through to other leading marques. Expensive steel Patek watches were usually specially commissioned. On October 3 1996 we sold one for £573,500."


Income is rising: a selection of collectors' watches in Sotheby's London sale held in March this year

English billionaire Mr Joseph Lewis now has a 28.7 per cent stake in Christie's. He will not have been displeased by the 1996 turnover of £931m.

In this period, auction revenues rose 17 per cent and pre-tax profits rose 32 per cent to £21.5m on net turnover up 18 per cent at £191m.

"In the past few years the market for fine wristwatches has been growing at a very healthy rate, especially in the US, where our sales have risen almost 250 per cent over the last year", says Ms Ruth Zandberg, international head of Christie's watch department.

She adds: "This particular growth is a reflection of not only continued activity from international collectors, but also new young bnyers. Wristwatches have really developed as men's jewellery, serving as fashion and status symbols, as well as functional pieces."

Phillips achieved auction sales of £113.5m in 1996, up 16 per cent from the previous year. Mr Christopher Weston, the chairman, said: "Expansion in Europe has played a crucial role in Phillips' overall success last year." The company has recently opened premises in Geneva.

Bonhams is well known in London for its thematic sales covering new collecting areas, such as pens and teddy bears. Along with watches, clocks and much else, the Knightsbridge family auctioneer increased turnover by 16.1 per cent to £46,929,474 in 1996.

Antiquorum is based in Geneva, and has offices in Hong Kong, New York, Milan and Paris. It conducts frequent sales in these countries, and each year one special single theme sale takes place in Geneva. Last year it was titled "The Magical Art of Cartier".

Mr Osvaldo Patrizzi, the founder and president, says: "We are at the end of the first act. Collectors' watches have now become a culture factor and status symbol and are no longer just a hobby.

"The watch market is experiencing a definite increase both in terms of interest from buyers and in terms of higher prices for top quality pocket watches, and vintage and modern wristwatches."

Traditional ways of trading are about to be disturbed by modern technology, however. In Britain, the fledgling Trojan Television is in negotiations for the establishment of an interactive satellite and cable TV channel called Auction Channel, allowing live bids by phone. The channel would come free, with auction houses paying commissions to it on successful bids.

Last December there was an important auction in London with online viewing and bids over the Internet. The future has arrived.

JEWELLERY

Eternal appeal – and demand

Many more women are now buying their own luxury-class jewellery

The appeal of jewellery is eternal. Only changing prices reflect current economic indicators. Some collectors, however, cannot resist purchases of their dreams, as the salas in recent years of pieces which belonged to the Duchess of Windsor and Jacqueline Kennedy Onassis demonstrated.

Butterfield & Butterfield, in their simultaneous sales in Los Angeles and San Francisco, constantly achieve very high prices for seemingly not-out-of-the-ordinary pieces which, however, come from tha estates of both actors and actresses and West Coast notables.

At Antiquorum's "Magical Art of Cartier" anction in Geneva on November 19, a private buyer paid $2,112,000 for a fabulous Indian-style platinum and diamond necklace with 29 graduated baroque emerald drops.

It had previously been sold in 1980 by Christie's, New York, for $210,000. It was made for the actress Merle Oberon in London in 1938.

Although Cartier atores and "corners" atretch around the globe, it is the privately commissioned jewellery pieces that contribute wall to Cartier's annual results. The average week sees orders to the value of more than $1m.

Cartier, now celebrating its 150th year in business, has just launched its first new jewallery collection for five years.

It is called Creation, in whicb dolphins feature prominently, as does "reversible" jewellary. A team of six Paris designers under the direction of Micheline Kanoui (wife of Cartier's chairman) had devoted four years to the new collection, which has 10 separate lines.

Tha collection is a response to the fact that now, perhaps more than ever before, women are buying their own jewellery at the luxury end of the market. So it is hardly surprising that the market for jewellery watches is expanding fast in "feel good" economic areas, such as tbe Pacific Rim – and the UK.

Tiffany's Etoile and Vannerie collections are enjoying success. Bulgari's Tubogas and Passo Doppio bracelets unfailingly appeal, as new wealth fuals the financial results of both shop chains and auction houses.

Long-established London retailers now have two newcomers with which to contend.

Last month, Wempe – established in Hamburg in 1878 and now Germany's largest jeweller – arrived in New Bond Street in the BBC's old Aeolian Hall, now totally refurbished.

Mr Hellmut Wempe owns the family business, and his daughter Kim-Eva (fourth generation and snccessor) heads the jewellery design division.

Her motto for this year is: "Opposites attract", and eo it is narrow rings and bangles together with pendants on fine chains. She likes diamonds in form "causing reflections of light, like fireworks".

Last November, London's hottest society jewaller moved into elegant new premises in London's Fulham Road, just along from The Watch Gallery. Theo Fennell likes to make quirky pieces in silver and gold, such as soda syphons, musical instruments, cowboy boots, golf bags, and holders for Heinz tomato ketchup and HP Sauce bottles.

In another sector of the market, Marks and Spencer has started selling a range of exclusive 9 ct and 18 ct gold jewellery (as well as wristwatches) in many stores.

They are mainly earrings, necklaces and bracelets – all hand-finished and boxed.

By valne, this has been one of its biggest new product launches. The company has found that 60 per cent of gold jewallery is bought by women.

The same sort of percentage no doubt applies in duty-free jewellery outlets, where last year's global market amounted to more than $700m. This figure has recently been increasing by about 20 per cent each year.

Some 2,000 different minerals bava been found on Earth. Just 100 are cut for gemstones; only 15 are highly valued by dealers, collectors and the market.

It is reported that red beryl is about to make the figure 16. But diamonds remain "a girl's best friend", although De Beers and Russia are currently at odds over market supply and control.

Auctions are useful barometers for trends. Mr David Warren, director of Christie's Jewellery Department in London notes: "Tha market is generally strong and sales have baen further boosted by an expanding private clientele (often over 60 per cent of each sale) along with increased interest from Asia.

"In a recent sale in London of 250 lots we had 121 different buyers from 23 countries. Diamond prices in genaral continna to be strong with high quality diamonds over 5.00 carats in short supply. Coloured diamonds remain keenly sought after, especially pink, blue, green, and fancy intense and vivid yellow.

"Natural pearls have become fashionable over the last two years, increasing in value by 30-40 per cent. The market for poor to medium quality rubies and emeralds has decreased over the last 18 months. Top quality stones remain firm.

"Sapphire prices have remained buoyant, especially those stones which have certificates confirming that they emanate from Kashmir or Burma."

Diamond ladies' rings account for about 80 per cent of all diamond jewellery retail sales in the UK, so the institution of marriage still appears robust. But same-sex purchases are, on the other hand, on the increase.

Germany and Japan are seeing a slowdown in jewellery sales, while Asian markets have expanded. Platinum pieces are on the rise everywhere.

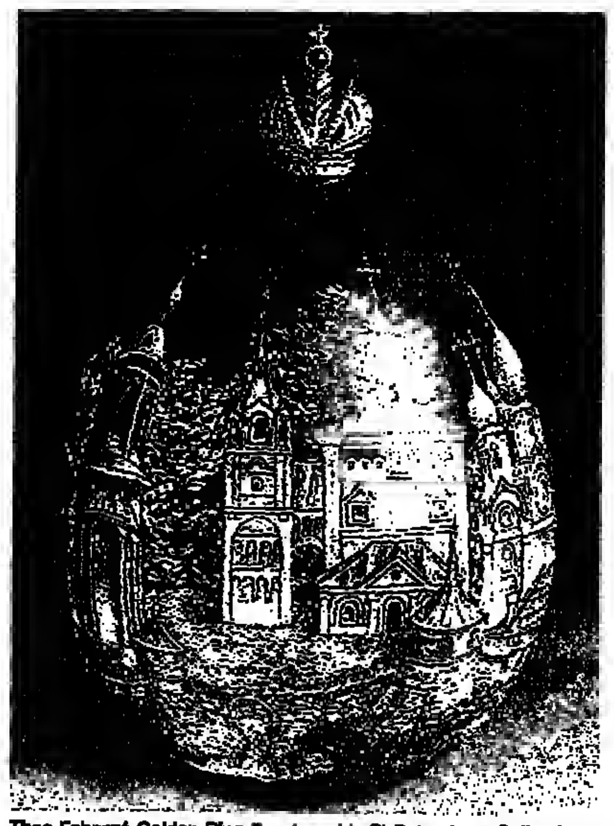
According to the World Gold Council, global demand for gold in the first nine months of 1996 amounted to 1,942 tonnes; some 3 per cent down on the 1995 period.

Somewhat surprisingly, demand for gold in China, Hong Kong and Taiwan was 14 per cent lower than in the first nine months of 1995. Uncertainties about July 1 this year worked their way through to the jewellery market then, but the general jewallery market is again buoyant in the UK.

The World Gold Council says UK demand for gold increased last year by 2 per cent. General European demand fell 6 per cent – perhaps in lina with the conditions of mainland continental economies.

The market is now signalling a new trend to dealers, collectors and investors – jewellery from La Belle Epoque period (1890-1910); tiaras, necklaces, earrings and brooches which reflect the flowery 18th century Rococo style.

Time to take a hint, perhaps.



Theo Fabergé Golden Ring Egg from his St Petersburg Collection

DIAL NAMES REVIVED

The second time around

A variety of old brands are reappearing on the faces of fine timepieces

A distinctive feature of Swiss watchmaking in recent years has heen the revival of fine brands. Many of them failed under the onslaught of Japanese quartz watches in the early 1970s.

The renaissance of Bovet this month is a typical example. There are four new models on display at Basle '97, and they reveal the craftsmanship and decoration which made tha original three Bovet hrothers' enamelled pocket watches famous throughout the Chinese Empire, after tha launch of their Fleurier-based enterprise 175 years ago.

The rotors in these new automatic timepieces are uniquely decorated and can be seen through transparent backs.

The revival of this grand marque is the work of Mr Thierry Oulevay and Mr Roger Guye, both from watchmaking families and with complementary backgrounds in the international luxury watch trade. They acquired the trademark in December 1994 from Parmigiani, also based in Fleurier, which had bought the name from the Bovet family.

Mr Roger Guye says: "Our watches are made to order. Few will come on the market, so we will have highly selective distribution."

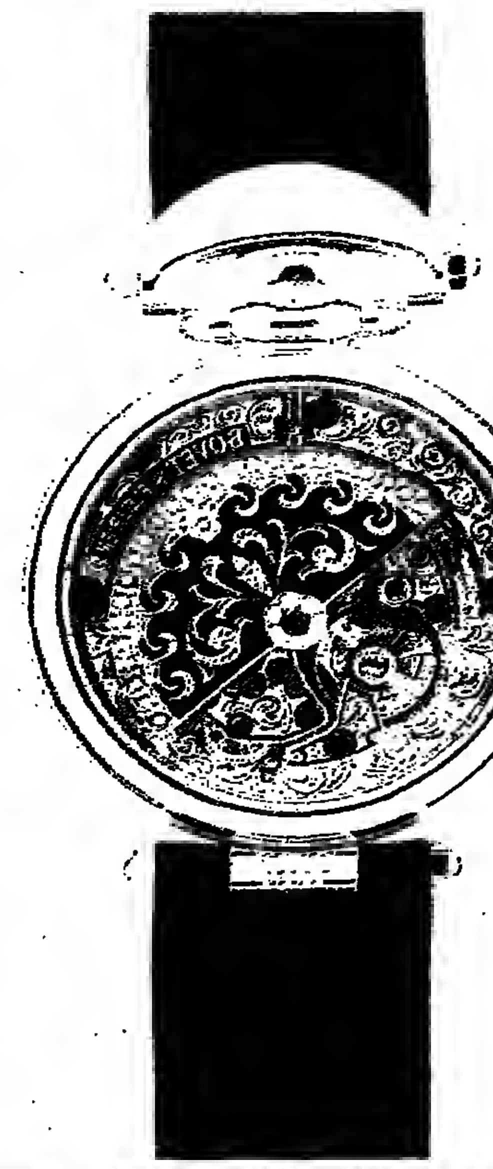
Roamer, founded in Solothurn at the foot of the Jura mountains in 1888, is another fine dial name that is alive once again, under the ownership of the Hong Kong-based Chung Nam Watch Group, owned by the Chong family. Basle '97 sees the launch of its new Power 8 model for the mid-prica market.

Chung Nam also owns the movement maker ISA, which supplies the quartz movement for Roamer's Power 8.

A. Lange & Söhne was founded in Glashütte, in former East Germany, in 1845 to manufacture high-quality pocket watches. The company was destroyed hy Russian bombing in the second world war. It was revived after the Berlin Wall fell in 1990 hy Mr Walter Lange, great-grandson of the founder. Wempe last month took up exclusive distribution of the hrand in the UK, operating from its new shop and offices in New Bond Street.

Glashütte Uhren was founded in 1845 by Ferdinand Adolph Lange at the reqnest of the state of Saxony, which wished to see a watch industry established. The area gathered a reputation for fine watch and clockmaking, which ended with the second world war. After reunification in 1990 the enterprise was restarted as Glashütter Uhrenbetrieb.

The company has moved fast and now claims to he the only European supplier outside Switzerland of small mechanical wristwatches designed and produced entirely "in house". Its top of the range "complicated" wristwatches are marketed under the name Julius Assmann – celebrating one of the original watchmakers from the region – and include a perpetual calendar and a tourhillon. The Klassik chronograph has continuous seconds and both 30-minute and six-hour recording functions. The company also produces manual and automatic models in gentlemen's and ladies' sizes, with dials signed Glasbütte Original.



An example of Bovet's workmanship. Note the top winder

Abraham-Louis Perrelet was born in Le Locle in 1729 into a farming family which turned to toolmaking in the winter months. At the age of 20 he decided to be a watchmaker and started an apprenticeship. After 15 days be had had enough and started out on his own, growing into one of the greatest watchmakers.

He devised and made his own tools and developed his own movements, and in about 1770 invented the automatic (self-winding) movement which is in common use today.

Perrelet, a founding father of the Swiss watch industry, died in 1826, a year after he completed his last pocket watch, and tbe company slowly faded away, altbough his grandson, Louis-Frédéric, patented the first eplit-second chronograph in 1827.

Now the hrand is alive again. Perrelet SA was establisbed in Neuchétel in 1993, with Mr. Jean Perrelet as president. The share capital is owned by Audemars-Microtec (not related to Audemars Piguet). It is displaying additions to its Dipteros range at Basle '97, with tha new Air Zermatt watches for calculating flight times.

Waltbam is another brand which has been reawakened in Neuchétel. It was founded in 1854 and was one of the US's great watchmaking names by the 1930s. After world war two the company lost its US trade along with every other US watchmaker and transferred to Switzerland. As Waltham Intarnational SA a great old name is back on elegant dials of platinum, gold and jewelled pieces.

MULTIFUNCTIONS

More than meets the eye

Manufacturers are constantly devising new functions for timepieces

There can ha more to a wristwatch than meets the eye. And much more than just the time of the day.

"Multifunctions" is the current buzzword, and they take watch owners a long way forward from the days whan timepieces displayed only an hour hand. Centuries ago, the minutes in between did not matter, but sundials – commonly possessed – afforded rough indications of time progression.

The wristwatch industry has catered handsomely for husiness peopla travelling long distances, ever since the globe was divided into 24 time zones in 1884 in Washington DC, hy representatives of countries who were acknowledged allies of the US.

Most of the leading wristwatch manufacturers today cater for business lounga travellers, with "world timers" – timepieces that can be adjusted manually as time zones are left behind.

As yet, a watch does not exist thet "knows" when it has passed through a zone line (the lines are eccentrically mapped), hut Patek Philippe and other makers have produced models which understand about leap years.

Sven Andersen, a Geneva company, specialises in limited editions of "world timers" with ultra-thin cases and movements. Its Mundus model ie produced in 24 pieces, in platinum, and is just 4.2mm thick. Andersen's Chrono O.M.21, comprises a production run of 21 pieces – seven each in platinum, pink gold and yellow gold. And the company claims to manufacture tbe world'e smallest calendar watch. Only 12 of them will ever be made, and they can be modelled to a customer'e specifications. This is bespoke watchmaking of a high order.

One day soon, men may have to shave their watch-bearing wrists each morning. Skin is semi-translucent, and it is predicted thet soon a slither-like timepiece will be produced, to be inserted in wrists. The LCD display would be remote-controlled.

Timex Ironman Triathlon: worn by athletes, presidents and actors

German watchmaker Junghans has a range of timepieces cased in ceramic, tha movements of which are radio-controlled from Frankfurt. Automatic adjustments occur when the hour moves back or forwards in summer time.

Jaeger LeCoultre has long been famed for its Memovox range of alarm wristwatches. Its recent Master Memovox is in 18-carat pink gold on a crocodile strap with a folding clasp also in pink gold. Its hand-set alarm also has a variety of chimes.

The Master Perpetual from the same company indicates from its husy dial the hours, minutes and seconds, plus the date, day of the week, month, year, decade and the moon phase. It has an automatic movement – which means it gains power reserve through wrist movement – and is water-resistant to 50m. It also understands all about leap years, and will not need adjusting until the winter of 2099-2100.

Timex Corporation in America is very involved in watches that do more than tell the time. UK Time, a subsidiary, has made a success of the Timex Data Link line which is in effect a computerised diary. It was developed with Microsoft which is clearly why Bill Gates calls it "The watch of my choice".

Mr Mike Jacohi, Timex Corporation president, says: "We believe next generation watches will play a more integral role in future lifestyles, because a watch is always with yon".

The Data Link wristwatch downloads information directly from a pra-programmed PC monitor, through the organiser disc which comes with it. A sensor in the watch reads bar-coded data on a computer screen when it is held up to 12 inches away from it. The memory capacity is 70 units of such items as anniversaries, appointmants, hirthdays and recipes. The soon-to-be-launched Data Link 150 has a doubled mamory capacity and its software programme will be refined. The watch wearer will be able to customise it to personal requirements, such as a stopwatch or 30- or 40-word notebook.

The Timex Data Link 150 is equipped with Indiglo, which means the dial lights up at the press of a button; it is water-resistant to 30m; and it comes with dual time zones, 12- and 24-hour formats, a calendar, multiple alarms, hourly chimes and a three-year battery. All the bells and whistles cost just over £100.

Casio's G-Shock Altimeter and Citizen'e Altichron give hill climbers their heights above sea-level. Going the other way, the Rolex Sea-Dweller is water-resistant down to 4,000ft. Its Oyster case is fashioned from a single pieca of stainless steel using as much as 60 tons of pressure in the process, and it is sealed in the manner of a submarine hatch.

The Sea-Dweller allows a safe ascent from ocean depths becausa a special helium escape valve lets out expanding gases and so explosive decompression is avoidad. Citizen's Hyper Aqualand can transfer diving data to personal computers.

Casio hava also targeted the athlete's market – from weekend joggers to Olympic Games class runners. Casio's BP100 gives blood and pulse pressure readings (both diastolic and eystolic) within two minutes of fingers placed on its sensors. Donovan Bailey, the current 100m Olympic gold medal winner and world record holder crossed the finishing line in Atlanta wearing a Timex Ironman Triathlon. It has also been seen on the wrist of President Clinton while he was jogging, and on actor Robin Williams.

A top-of-the-range Triathlon offers a 100 track lap memory facility, a 100-hour chronograph with lap and split times, five alarms, a memo log, two time zones, and a training log which stores best lap times and also averages out lap times. A Triathlon event will be included for the first time in the Olympic Games in Sydney in the year 2000.

Michael Balfour researched and wrote all the articles in this survey. Ha is contributing editor of International Wristwatch and author of The Wristwatch Almanac (Verulam Publishing, 152a Park Street Lane, Park Street, St Albans AL2 2A4. £8.50 inc p&p (UK), £10.50 (rest of world).

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday April 10 1997

Week 15

IN BRIEF

Dow Jones posts fall in earnings

Dow Jones, the US business information group, posted a sharp drop in earnings for the first three months of this year as its electronic information business suffered from weaker revenues and an investment programme. Page 17

Russia's Rosneft to be privatised
Rosneft, the last state-owned Russian oil company, is set to be privatised this year. Page 14

Sidek shareholders urge legal action
Shareholders in Grupo Sidek, the Mexican tourism group which defaulted on $2.2bn of debt in 1995, instructed management to pursue legal action in connection with improper activities of former employees. Page 17

Shanghai Industrial to raise HK$4.78bn
Shanghai Industrial, the Hong Kong-listed arm of the Shanghai municipal government, is raising HK$4.78bn (US$617m) through an equity placement. Page 16

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AA & MU Bet	710	+	110
Fresenius Vz	379	+	21
Muehl Pr & Srv	21.7	+	1.4
Schneider Rund	255	+	15
Falls			
Computer 2000	325	–	25
Escom	0.23	–	0.02
NEW YORK ($)			
Rises			
Best Buy	13¼	+	1¼
Donna Karan	12	+	2⅛
Dynamics Corp	44⅝	+	4½
Pacific Sci	13⅝	+	1¼
Falls			
Apria Hlthcare	17⅝	–	1¼
Playtex Prod	9¼	–	⅜
LONDON (Pence)			
Rises			
Drew Scientific	149	+	15
Jourdan (T)	68½	+	7
Martin Int	37	+	4½
Sentry Farming	165½	+	12½
Topnel Life	109½	+	7
Falls			
Coral Prods	37½	–	5
TORONTO (C$)			
Rises			
Accograph A	1.1	+	0.1
Cdn Occidental	27.2	+	2.1
Intl Thunderb	1.75	+	0.15
Falls			
Bre-X Mnls	1.98	–	0.33
Repap Entr	1.12	–	0.31
Scorpion Mnl	2.40	–	0.55

PARIS (FFr)			
Rises			
Radical Siconl	86.0	+	19.9
CDMX	62.0	+	7.5
Mitsubishi Elec	31.1	+	2.9
ZCI	15.05	+	2.05
Falls			
Cofismed	3.1	–	0.7
Novalec	21.5	–	3.7
TOKYO (Yen)			
Rises			
Kinseki	1630	+	180
Nemic Lambda	2740	+	230
Falls			
Amano Corp	1060	–	80
CSK Corp	2800	–	200
Natl House Ind	1270	–	180
Toyo Chemical	500	–	180
HONG KONG (HK$)			
Rises			
Beijing Dating	6.52	+	0.32
China Res Bjng	5.0	+	0.43
Founder (HK)	4.92	+	0.47
Intl Tak Cheng	2.35	+	0.33
Northeast Elec	1.22	+	0.12
Yue Yuen Intl	17.9	+	1.9
BANGKOK (Baht)			
Rises			
Kuang Pei San	31.25	+	2.75
Safari World	133	+	12
Thai-Asahi Glas	28.75	+	2.50
Falls			
Interlife Ins	93	–	10
Samaggi Ins	54	–	5
Utd Flour Mill	42.75	–	4.75

New York and Toronto prices at 12:30.

Companies in this issue

Market Statistics

http://www.FT.com

P&G to purchase Tambrands

Surprise $1.85bn deal will take group back into tampons market

By Richard Tomkins in New York

Procter & Gamble, the US consumer products group, yesterday announced its biggest acquisition with an agreement to buy Tambrands, US maker of Tampax, for $1.85bn cash.

The deal marks a surprise return to the tampon business for Procter & Gamble, which dropped its Rely tampons in 1981 amid allegations linking them with the potentially fatal toxic shock syndrome.

The deal could face scrutiny by anti-trust regulators because Procter & Gamble's Always and Whisper brands already lead world markets for the other main type of feminine sanitary protection – pads and panty liners.

Procter & Gamble said it did not see anti-trust objections as a significant issue because tampons and pads were separate markets with little crossover. "Women make their choice about which product they are going to use very early on," the company said.

The other big manufacturers of feminine sanitary protection products are Kimberly-Clark, Johnson & Johnson, and Playtex Products, all of the US.

Tambrands, which has been making Tampax for more than 60 years, is the world's leading manufacturer of tampons, with 44 per cent of the global tampon market and 51 per cent of the US market.

But slow growth in its established markets and slow progress in expanding geographically have left Tambrands struggling to improve sales and profits in recent years.

The company has been seen as a takeover candidate since 1993, when it sounded out prospective buyers.

Last year, amid intense price competition in the US, its sales fell from $683m to $662m, and net profits from $85.5m to $45.8m after a $46.2m pre-tax restructuring charge.

Procter & Gamble is not known for making big acquisitions. Its biggest deals this decade have been the $1.1bn purchase of the Max Factor and Betrix cosmetics businesses from Revlon in 1991 and the 1994 purchase of part of VP-Schickedanz, the German tissue maker, for about $400m.

Procter & Gamble believes it can double Tambrands' revenues in 10 years by using its vast global marketing and distribution network.

Wall Street welcomed the deal, marking Procter & Gamble's shares up $3¼ to $119, or 3 per cent, in early trading.

Magellan returns to equities after bonds setback

By John Authers in New York

Fidelity Investments' $51bn Magellan mutual fund, the world's largest, yesterday brought down the curtain on the least successful investment in its history.

It announced in a bulletin to investors that in February it had sold all its remaining bonds and returned to its traditional emphasis on equities.

The decision by Mr Jeffrey Vinik, Magellan's former manager, to move almost 20 per cent of the fund's portfolio into bonds in late 1995, has already acquired almost legendary status in Wall Street.

It was an attempt to hedge against an equity bear market, widely predicted at the time, but led to a sharp drop in the fund's performance. In the process it created serious problems for Fidelity, the largest US fund manager with about $450bn under management, which had previously dominated the fast-growing US mutual fund market throughout the 1990s.

Last year Magellan's total return of 11.69 per cent was roughly half that of the benchmark S&P 500 index, and ranked it 602nd out of 669 funds aiming for growth in US equities, according to Lipper Analytical Services, a leading authority on mutual fund performance.

Magellan's problems triggered a wave of negative publicity, and redemptions by investors. These still continue. According to Alpha Equity Research, a New Hampshire company which tracks Fidelity, redemptions exceeded new investments by $521m last month, while there was a total outflow over the last 12 months of $8.9bn.

Fidelity had attracted more new money from investors than any other US fund manager for each of the previous five years, but last year slipped to third, almost entirely thanks to the problems at Magellan. This now appears to be stabilising, with Alpha Equity estimating that the company's equity funds have taken in a net $4.88bn in the year to date, despite the continued outflows from Magellan.

Mr Robert Stansky, who took over Magellan when Mr Vinik resigned last May, appears to have returned the fund to its traditional emphasis on equities, particularly high-technology stocks. Equities now account for 95.5 per cent of the fund, up from 70.7 per cent this time last year.

Merger agreement: Tomkins executive chairman Gregory Hutchings

Portuguese electric utility 22% ahead

By Peter Wise in Lisbon

Electricidade de Portugal announced a 22 per cent lift in net consolidated profit for 1996 to Es81.1bn ($481m) yesterday, ahead of its privatisation in June.

The increase consolidates the national power utility's remarkably strong growth since 1993, when net profit was Es18.3bn.

June's offering of EDP, a holding company for 22 companies covering electricity production, transmission, distribution and related services, is scheduled for Lisbon, London and New York. It will be the country's largest privatisation.

Mr António Sousa Franco, the finance minister, expects about 30 per cent of the group to be sold in an offer that will be divided roughly equally between groups of retail investors and institutions.

He said institutional demand through a book-building process would establish the exact balance.

The highest of three independent valuations of EDP is Es1,700bn, according to the Portuguese government.

The global co-ordinators, one of three groups that made the valuations, are Goldman Sachs, N.M. Rothschild and Banco Português de Investimento.

EDP will become Portugal's biggest listed company and is forecast to account for about 8 per cent of Lisbon's total market value by the end of 1997.

Sales of electricity and related services rose 1.5 per cent last year to Es546.9bn.

In the past five years the group has steadily increased sales despite having reduced tariffs 29 per cent in real terms for industrial consumers and 10 per cent for domestic users.

Analysts attributed EDP's strong profit growth since 1993 to a sharp drop in the costs of servicing its accumulated debt, which fell Es9.5bn in 1996 to Es683.1bn. The group invested Es100bn in 1996, mainly in power distribution.

It has also benefited from falling interest rates and from the sale in December 1993 of two 300MW coal-fired units to Tejo Energia, a group led by National Power of the UK, for Es170bn.

Opening up large-scale energy production to the private sector has also enabled EDP to reduce investment in generating capacity.

Tomkins uses spare cash to buy Stant for $606m

By Ross Tieman

Mr Gregory Hutchings, executive chairman of Tomkins, yesterday claimed that his conglomerate's strategy of not handing spare cash back to shareholders was "totally vindicated" after snapping up US car parts maker Stant Corporation for $606m.

Tomkins has signed a merger agreement with Stant, which is quoted on Nasdaq, and agreed to make a tender offer for all the shares at $21.50 each, valuing Stant at $406m. It will also assume Stant's net debt of $200m.

Bessemer Capital Partners, a leveraged buyout specialist, has agreed to accept the tender for the 56.9 per cent stake which it controls. Yesterday afternoon, shares in Stant rose $4½ to $21¼, while Tomkins closed 7½p up at 282½p.

Stant, a leading manufacturer of windscreen wipers for car assemblers and the automotive after-market, is a bolt-on acquisition to the Gates Corporation, the US-based manufacturer of vehicle hoses and industrial belts which Tomkins bought last July for £1.16bn ($1.84bn).

Analysts said the deal would enhance Tomkins' earnings by about 3.5 per cent this year.

Mr Mark Cusack, of joint brokers UBS, said: "Even in the early years, Stant is expected to generate returns greater than Tomkins would have made by leaving the money in the bank."

Tomkins had faced calls from analysts to distribute its spare cash – which totalled £394m at the end of the first half – to shareholders. But Mr Hutchings said the availability of ready cash had been crucial in securing a deal.

"We were able to move quickly and they could see the cash in our bank," he said. "It has totally vindicated what we have always said."

Stant employs 7,000 people in 20 factories in the US, Mexico, the UK and Australia. Apart from windscreen wipers, it also makes hose clamps, grease guns and tools.

Operating profit in 1996 was $56.6m. Budgeted operating profits this year are $62.2m, on sales of $706m.

Mr Hutchings said he aimed to lift Stant's profit margins from 9.4 per cent and increase sales by pushing its products through Gates' international distribution network.

Analysts believe Tomkins is seeking more bolt-on acquisitions of a similar size. Mr Hutchings declined to be drawn on that. The company's next big move into a new business area would cost £1bn-£2bn, but, "we won't go for a major acquisition in 1997".

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Templeton buys floor for $3m in Shanghai exchange

By James Harding in Shanghai

Templeton, the US mutual fund company and one of the largest institutional investors in Chinese stocks, has bought a floor of the new Shanghai stock exchange building, a first step towards eventually managing funds for mainland Chinese investors.

The $3m purchase comes amid speculation in Shanghai that Templeton, which manages more than $500m in mainland Chinese investments, could be one of the first foreign companies offered a mutual fund licence in China when Beijing opens up the industry.

The government is considering proposals to allow foreign companies into joint ventures with Chinese fund managers, an attempt to remedy the largely unsuccessful experiments in mutual fund management since the early 1990s.

Mr Mark Mobius, president of Templeton Emerging Markets Fund, was sceptical about the possibility of joint venture fund management: "We don't know if we want to do a joint venture. Joint ventures are very difficult to operate; we do not believe in two people managing the same funds. We have never done that and I don't think we ever will."

Mr Mobius, who controls more than $10bn in equity funds, said a joint venture was only conceivable if Templeton controlled the investment process, but stressed his determination to "be in here with funds for domestic investors".

The 1,240sq m floor, bought in the stock exchange building due to open this year, will initially house three to five staff, but will eventually accommodate Templeton's south-east Asian headquarters: "We are looking five years down the road for an expanded research capability and a domestic fund management business."

Mutual funds were established in China soon after the domestic stock markets opened in Shanghai and Shenzhen in 1990, but most have been losing money and are shunned by Chinese investors.

Templeton's substantial investments in mainland China through the Dragon Fund, Templeton China World Fund and Templeton China Fund contrast with more cautious institutional investors, notably international pension funds, who are uneasy about investing in an opaque and often state-managed market.

However, Mr Mobius said: "What we have learnt in these emerging markets is that you cannot expect full transparency and you cannot expect protection of shareholder rights, but you can expect cheap prices."

This week, China's official newspapers have carried repeated warnings that China's stock markets are "overheating" and that investors should beware falling into traps set by manipulators.

Mr Mobius saw no reason for prices to slide and forecast substantial rises in the long term: "Templeton is now investing in state enterprises, which are overstaffed, inefficient, with too many resources for what they are trying to do, with no idea how to buy or sell but with a good idea of how to produce cheaply.

"China wants to transform these enterprises into world-class operations and if you assume that they are going to be halfway successful, then you have great investments."

Hypo-Bank starts year on high note

By Andrew Fisher in Munich

Bayerische Hypotbeken- und Wechsel-Bank was yesterday upbeat about earnings for 1997 after exceeding profit targets in the first three months.

Mr Eberhard Martini, chairman of the German bank, said: "The first quarter of this year has gone very well."

Although the trend in the first few months could not be taken as a guide to the whole year, "we have no reason to be pessimistic and every reason to be *optimistic*".

However, he said risks remained on the corporate loan side. Echoing comments on Tuesday by Mr Martin Kohlhaussen, chairman of Commerzbank, be said it was too early yet to sound the all-clear on credit risks in view of continuing problems in the domestic economy.

Mr Martini said Hypo-Bank's operating profits before risk provisions were ahead of expectations so far this year, and also above the first quarter of 1996, which had seen unusually strong growth. "We *see a thoroughly positive trend for* 1997."

For the full year, operating profits before provisions rose 17 per cent to DM2.5bn ($1.46bn). However, after provisions the result was 9 per cent lower at DM1.19bn, with total risk provisions 58 per cent higher at DM1.31bn, although loan loss provisions were slightly down on last time.

The jump in the provisions total came from lower profits on securities held for liquidity purposes. Unlike 1995, the bank made less *profit through selling stocks* and bonds in its portfolio, retaining them instead at a higher market value.

Combined with a higher contribution from foreign subsidiaries – accounting for 28 per cent of profits – and the favourable tax impact of acquiring the lossmaking German activities of Credito Italiano, the rise in provisions led to a lower tax hill. This left net income 6 per cent higher at DM715m.

Mr Martini said the bank's net interest income – the main component of *operating profits* – was 7 per cent higher at DM4.4bn. Mortgage business accounted for DM1.9bn, up 12 per cent, and normal banking business for DM2.5bn, a rise of 4 per cent.

Commission income rose 44 per cent to DM1.18bn, although this would have been 22 per cent without the consolidation of Hypo Foreign & Colonial Management of the UK, in which the bank raised its stake from 50 per cent to 65 per cent.

Russia's oil group 'orphanage' for sale

Rosneft, the last state-owned Russian oil company, which has access to some of the most lucrative oil projects in the country, is set to be privatised later this year.

Plans to sell off Rosneft, whose future in the Russian oil sector has been unclear for the past two years, were confirmed recently by Mr Rair Simonyan, Rosneft vice-president, and Mr Yevgeny Yasin, the Russian minister for economic development.

Its production output, at 13m tonnes in 1996, is small compared with larger Russian oil companies such as *Lukoil. But its main assets* are its reserves and long-term projects such as the multi-billion dollar development offshore Sakhalin island in the Russian Far East, and in the Timan-Pechora basin in the north .

A descendant of the former Soviet oil ministry, Rosneft was formed in 1995 as an "orphanage" for companies unwanted by the main privatised oil giants and as a guardian of government interests in large oil projects.

Together witb Sakhalinmorneftegas, one of its subsidiaries, it has a 40 per cent share in Sakhalin-1, a project to produce oil on the shelf of the Sakhalin island. The other main parties in the project include Exxon and Sodeco.

This week Rosneft was awarded a 20 per cent stake in a $20bn production-sharing deal in the Timan Pechora basin.

But the privatisation has been delayed by a long-running legal dispute between it and another oil company, *Sidanko*, over one of *Ros*neft's main subsidiaries.

Sidanko claims ownership of the subsidiary, Purneftegas, a well-managed oil producer in western Siberia, whicb accounts for two-thirds of Rosneft's production.

Purneftegas was allocated to Sidanko during the restructuring of the Russian oil industry in 1994, but was later transferred to Rosneft.

*Observers believe the dis*pute will be settled in favour of Rosneft by the Moscow courts, although the last hearing will be beld on April 14.

Once the legal proceedings are over, the Russian government plans to sell 15 per cent of Rosneft's shares to foreign investors, wbile retaining 51 per cent of the shares for at least three years. The remaining shares will *either be sold to* the employees or will be anctioned.

Ms Elena Merkulova, Russian oil analyst for Salomon Brothers in London, estimates tbe "identifiable value" of Rosneft, based on its proven reserves, at $1.4bn, at a 20 per cent discounted cash flow. At that value, its shares would be $14.70 esch.

Bnt analysts say the evidence of previous privatisations and questions about transparency suggest the shares will trade at a considerably lower price.

Western analysts estimate Rosneft's proven reserves at 1.5bn barrels of oil compared with the 10.5bn barrels of Lukoil, the country's biggest oil producer. These estimates, however, exclude its share in Timan-Pechora and Sakhalin shelf.

"Our clients are already showing great interest," Ms Merkulova said. "Strategic investors need Rosneft's reserves and portfolio inves*tors* will buy its shares because they will be new and good value."

Bnt some analysts are more sceptical. Mr Stephen O'Sullivan, a senior analyst at MC-Securities in London, said: "Theoretically, Rosneft has access to large reserves. But many of these reserves need massive foreign investment and advanced technology, neither of which Rosneft can provide on its own."

Rosneft's management says it would prefer a strategic investor to take a large parcel of its shares and help provide investment funding. Mr Simonyan said: "The projects we are involved in require billions of dollars. We want our investment interests to be taken into account when our shares are floated. We need a guarantee that whoever buys our shares will invest in our projects."

Earlier this year, Rosneft obtained an unsecured loan worth more than $10m from Dutch bank ABN Amro for the development of the Sakhalin-1 project. Before privatisation is complete, it plans to issue commercial paper and corporate bonds.

"After Russia successfully launched its eurobonds, and several large companies such as Gazprom and Lukoil issued their first American Depository Receipts, the appetite for Russian corporate bonds is growing," Mr Simonyan said.

Arkady Ostrovsky

Premium income growth slows at Allianz Leben

By Ralph Atkins in Stuttgart

Allianz Lebensversicherung, the life assurance subsidiary of Allianz, the German insurance group, yesterday reported a 3.8 per cent increase in 1996 premium income to DM11.95bn ($7bn).

The growth was slower than in previous years, reflecting tougb conditions in the German life market and the maturing of past business. However, the life subsidiary lifted its surplus before distribution of profits to policyholders by 9 per cent, to DM4.38bn. That compared with a 4.3 per cent increase in 1995.

The declared after-tax corporate profit rose 20.3 per cent to DM190m. Turnover, including investment as well as premium income, rose 5.5 per cent to DM20.45bn.

Allianz Lebensversicherung expressed concern at ideas floated by federal politicians for taxing notional investment income allocated to policyholders.

However, it was optimistic that problems with Germany's social security system and an increased perception of a need for private provision would support long-term growth.

Premium income rose 4.9 per cent to DM3.2bn in the first three months of this year.

● *Assicurazioni Generali*, Italy's largest insurer, has forged an alliance with three Austrian regional banks to reinforce its position in the Austrian insurance market, writes Paul Betts in Milan.

The group's EA-Generali unit will acquire an 8 per cent stake in Bank für Kärnten und Steiermark and a 15 per cent stake in Bank für Tirol und Vorarlberg, which will give it an indirect stake in Bank für Oberösterreich und Salzburg.

Generali said tha agreement envisaged long-term collaboration in insurance, financial services and property.

Mitsubishi and Volvo extend NedCar venture

By Michiyo Nakamoto in Tokyo and Greg McIvor in Stockholm

Mitsubishi Motors of Japan and Volvo of Sweden plan to extend their Netherlands joint venture by expanding co-operation to engines and *the* developmant of a new car platform.

Mitsubishi is to supply its NedCar partner Volvo with its low fuel-consumption gasoline direct injection (GDI) engine for use in its S40 and V40 models from next March. These models, of which Volvo sold 71,000 last year, are prodnced at the NedCar plant on the same production line as Mitsubishi's Carisma model.

The companies are also to launch development studies for the next generation of cars, aimed at starting production at the start of the next decade.

Volvo said the initiative could lead to joint production of a wider range of vehicles, including vans, saloons, coupes and estates. It is intended to strengthen each company's position in the competitive European car market by pooling development costs. The two have invested about SKr12bn ($1.57bn) in NedCar's plant in Born, near Maastricht.

It underlines the growing bond batween the two groups, which are also considering co-operating in truck-making operations, and accords with Mitsubishi's plan to double its European sales to 400,000 units early next century.

Under the agreement announced yesterday, Mitsubishi is to carry the GDI engine in the Carisma from this autumn. It will supply Volvo with 75,000 engines and transmissions between 1997 and 2003 – Volvo's first *use of Mitsubishi engines*.

Volvo is also looking at transferring Mitsubishi's GDI technology for use in its other engines – a step which could pave the way for eventual joint engine manufacture.

The GDI is a low fuel consumption, high-power engine which has been very popular in Japan. "The technology is definitely very advanced and gives Mitsubishi an edge," said Mr Enda Clarke, industry analyst at Dresdner Kleinwort Benson in Tokyo.

Creditanstalt re-states profits

By William Hall in Vienna

Creditanstalt, Austria's best-known financial institution, in its final act as an independent bank revised upwards its reported 1996 net profit from Sch2.6bn to Sch2.9bn ($241m), and raised its dividend 20 per cent – the first increase in four years.

The 36 per cent rise in Creditanstalt's earnings per share, to Sch70.3, and the increase in its return on equity from 8.6 per cent to 10.8 per cent, will affect its acquisition by Bank Austria, the country's biggest bank.

The bank paid Sch17.2bn for a controlling stake in Creditanstalt in January, and bas to make an exchange offer for the rest of its share capital.

Creditanstalt's ordinary shares are trading at a discount of 16 per cent to the Sch861 a shara thet Bank Austria paid for the Austrian government's stake; and its preference shares are valued at a discount of close to 50 per cent. Many analysts are puzzled by the gap between the two classes of shares.

Yesterday's results suggest Bank Austria may be forced to put a higher value on the Creditanstalt shares than originally budgeted. Bank Austria, which has capital funds of Sch49bn, has said it can finance the acquisition out of its own funds.

EUROPEAN NEWS DIGEST

P&U abandons MS drug trials

Pharmacia & Upjohn, the Swedish-American drugs group, has abandoned clinical trials of an oral treatment for multiple sclerosis because of an unexpected incidence of heart attacks. It said yesterday it stopped "phase III" trials of Linomide tablets, also known as roquinimex, after eight heart attacks were reported *among a study* group of 1,200 people in North America, Europe and Australia.

Pharmacia & Upjohn had been hoping to file Linomide for regulatory approval in Europe and the US in 2000. Yesterday's announcement helped to knock SKr5 off the shares, which closed at SKr270.50 in Stockholm.

Meanwhile, shares in Schering of Germany, the leading *European producer* of multiple sclerosis drugs, rose DM5 to DM172 in Frankfurt, partly on the P&U news. They were also buoyed by a ruling from the European Patent Office, which upheld an appeal by Schering against the European patent granted to Biogen of the US for the production of beta-interferon by genetic engineering. Biogen and Schering sell rival drugs for multiple sclerosis based on beta-interferon, known as Avonex and Betaferon respectively.

The US company had hoped that the European patent, which has now been revoked, would have enabled it to collect royalties from Schering. Mr Jim Tobin, Biogen chief executive, said the revocation would not affect the company's ability to sell Avonex in Europe or anywhere else in the world. *Clive Cookson, Science Editor*

Profits surge at Wintershall

Wintershall, the oil and gas subsidiary of BASF, the German chemicals giant, said yesterday pre-tax profits for 1996 rose 172 per cent to DM833m ($487m), helped by a stronger dollar and higher oil prices. Net profit was DM286m. Group turnover was DM9bn. Net sales – turnover less oil and gas taxes, which are passed straight on to the government – rose 21.5 per cent to DM5.11bn.

Mr Alfred Weber, chief financial officer, said the 1996 figures were boosted by "extraordinary circumstances". He added thet if the dollar and the price of oil remained at current levels, group sales for 1997 would be more than DM10bn and net profits over DM300m.

Mr Herbert Detharding, chairman, said the company hoped the German government would stick to its plans for reforming the energy sector and enact proposals for third-party access to existing gas pipeline networks. He said allowing such access was "an essential part of liberalisation". If it was not granted, the only alternative would be to construct a parallel pipeline network, a move he said which could be economically and environmentally undesirable. Wintershall entered the gas sector six years ago through a joint venture witb Gazprom of Russia called Wingas, which now has 10 per cent of the German gas market. Mr Detharding said Wintershall had no plans to sell its 15 per cent stake in Aral, an oil retailing company in which Mobil and Veba, tha German conglomerate, are also shareholders.

Frederick Stüdemann, Kassel

Elf Atochem slides 26%

Elf Atochem, the chemicals arm of French oil company, Elf Aquitaine, yesterday reported a 26 per cent fall in operating profits last year, from FFr5bn in 1995 to FFr3.7bn ($642m). Mr Jacques Puéchal, chairman, said adverse market conditions for petrochemicals had cut operating profits by FFr1.9bn. This was offset by profit gains of FFr400m due to increased productivity and FFr200m as a result of global expansion. Sales fell 3 per cent, from FFr55.5bn to FFr53.8bn.

The chemicals group, which *is France's second largest*, increased investment from FFr5.3bn the previous year to FFr5.5bn. Net cash flow fell from FFr7.6bn in 1995 to FFr5.1bn, and the company raised FFr800m through disposals. At the year-end, deht stood at FFr5.4bn, giving a gearing of 21 per cent. *Jenny Luesby*

Investors turn to S Africa

A sharp turnround in international investor sentiment towards South Africa has seen the country re-emerge as a popular investment destination, according to a survey published today. International fund managers say the country's equity market offers a breadth of well managed companies with healthy balance sheets.

The change in the perception of South Africa is the biggest shift in sentiment over the last quarter among institutional investors tracked by the Global Emerging Market survey by Burson-Marsteller, the communications consultancy. Its quarterly survey found that international investors are now seeking opportunities outside South Africa's traditionally popular sectors of mining, finance and agriculture. Fund managers cited the service industries, media and information technology as areas of particular interest for investment. *Joel Kibazo*

Gemina chairman dies

Mr Giorgio Rossi, the chairman of the Gemina holding company and a well-known Italian banker, has died aged 69. He was brought in as chairman of Gemina in February 1996 to help restructure and revive its fortunes after its failed merger with Ferfin-Montedison.

Under his chairmanship, Gemina, whose main shareholders all come from the cream of Italy's private sector, spun off its industrial holdings into a new company called HPI, which is now merging with the Marzotto textiles and clothing group. *Paul Betts, Milan*

Caretaker bank set up to manage Hanwa closure

By Gillian Tett in Tokyo

The liquidation of Hanwa Bank, the regional Jspanese bank, moved a step forward yesterday after a caretaker bank was established to manage the closure.

The new bank, Kii deposit management bank, will take over operations for Hanwa Bank, which was closed by the finance ministry last November. It will start refunds to depositors later this year.

The success and speed of this move will be an important test case for the financial system in Japan. In particular, it will provide an indication of the effectiveness with which the financial authorities can act to clear up ailing financial institutions in the run-up to planned deregulation.

The Bank of Japan is to provide Y10bn ($79.25m) worth of capital for Kii, taken from a special fund previously set up to manage the liquidation of seven housing loans companies. Meanwhile, *Kii itself should be closed* within five years, officials at the caretaker bank said.

The closure of Hanwa bank, which had large property-related bad loans, is regarded as an important stepping stone by analysts, as it provided one of the first indications that the Japanese financial anthorities were prepared to force insolvent banks to close.

Previously, the Japanese authorities have been reluctant *to force the closure of banks*, encouraging other stronger banks to support them instead.

But despite the move, the markets remain uneasy about the authorities' determination to take rapid action to force other bank closures – or decisively clean up the problems left by the recent mounting bad loans.

However, Mr Yaauo Matsushita, governor of the Bank of Japan, yesterday tried to boost market confidence in the *anthorities' stance by telling* Japanese members of parliament that Japan now had a fully credible system to cope with financial failures.

He argued that the restructuring plans unveiled last week by Nippon Credit Bank, the troubled long-term credit bank, would restore the bank to health. And he added that the Bank of Japan remained ready to act as the lender of last resort to help other ailing banks in their restructuring plans. "If a financial institution fails in the future, a system which is now in place can cope with that," he said.

● Lending by Japanese "City" banks fell last year for the fourth successive year, the Federation of Japanese Bankers yesterday said.

The decline indicates the pressures that are now on City banks to find new forms of business, as their corporate clients increasingly turn to the capital markets for funding – and competition within the different arms of the banking business intensifies.

Loans by the 10 City banks were Y234,619.3bn at the end of the 1996 fiscal year, 1 per cent lower than the previous year. Bank deposits fell 2.6 per cent in this period.

With the banks due to issue their results at the end of May, most large institutions have recently cut their profit forecasts.

'Red chip' issue set to test market

By John Ridding in Hong Kong

Shanghai Industrial, the Hong Kong-listed arm of the Shanghai municipal government, is raising HK$4.78bn (US$617m) through a HK$1.66bn placement to institutional investors and the issue of shares to its parent company, bankers involved in the deal said last night.

The issue is the latest, and one of the biggest, in a series of fund-raising moves by red chips – Hong Kong-listed companies backed by mainland Chinese authorities or enterprises. As with most other red-chip issues, the proceeds will be used to purchase assets from the parent company, in this case, toll-roads around Shanghai.

Although recent stock market falls have taken some of the steam from red-chip shares, the companies have been in strong demand with Hong Kong and international investors ahead of the territory's return to China in July. Their strong mainland connections are seen as assisting in winning lucrative contracts and injecting assets on favourable terms.

A string of red-chip share issues and initial public offers over recent months have drawn record subscription levels on the Hong Kong market. Last month, Gitic Enterprises, the construction materials group which is indirectly controlled by the Guangdong provincial government, set a record for subscriptions. Its IPO was almost 900 times subscribed, attracting applications worth HK$88bn.

Analysts said last night that the Shanghai Industrial placement was a test of market sentiment. "This is a big issue and the stock market is a little uncertain at the moment," said one China analyst with a US investment bank. He noted that the pricing of HK$34.18 a share represented a discount of just under 4 per cent to the company's closing price yesterday.

Market sources claimed, however, that the placement was proceeding smoothly. "There seems to be pretty strong interest," said one European inveetment banker. "Shanghai industrial is one of the higher quality red chips with a powerful backer."

Under the terms of the deal, a total of 140m new shares will be issued, approximately equivalent to 20 per cent of the company's existing capital. Just under 49m shares will be placed with institutional investors, while the balance will be subscribed by Shanghai Industrial Investment Holdings. This will maintain the parent company stake at about 65 per cent.

The placement, which is being underwritten by BZW and Peregrine Capital, comes amid uncertainty about regulatory requirements for red chips, and speculation that mainland authorities might seek to tighten approval procedures for listings and asset injections.

Officials in Hong Kong and China, however, point out that, as Hong Kong-registered companies, red chips fall under the territory's market regulators rather than Chinese authorities.

Proceeds from the issue will be used to buy a 35 per cent stake in Shanghai New Construction Development, a state-owned enterprise, from the Shanghai authorities.

The enterprise is to be transformed into a Sino-foreign joint venture to operate and manage a 48km ring road and an 8.5km elevated expressway in the city. The joint venture company is guaranteed to receive US$25.48m a quarter as basic income and a share in gross revenues, according to an agreed formula.

Reversal in eight-month decline provides hope for industry

Taiwan Semi posts advance in sales

By Laura Tyson in Taipei

Taiwan Semiconductor Manufacturing provided a glimmer of hope for the languishing semiconductor industry by reporting sales figures that reversed eight months of decline.

Sales in March were T$2.8bn (US$102m), 26.4 per cent down on the same month last year when an all-time monthly high of T$3.8bn was attained, but 23 per cent up on February's T$2.3bn.

For the first three months of 1997, Taiwan Semiconductor posted sales of T$7.6bn, down 26.3 per cent from T$10.3bn in the same period in 1996.

Analysts said the result was in lina with expectations, given conditions in the chip sector. Last year chip prices fell 80 per cent.

The company has forecast 1997 sales at T$35.2bn.

Analysts said that Taiwan Semiconductor, the world's leading dedicated foundry chipmaker, faces rising competition from new entrants in the foundry sector both at home and in sonth-east Asia. The resulting rise in foundry capacity has sent prices lower.

Rapid over-expansion in the semiconductor industry will tie foundries' fortunes to dynamic random access memory (D-Ram) chips, as chip plants are forced to make D-Rams to fill capacity.

Acer, Taiwan's leading computer maker, posted March sales of T$5.38bn, barely changed from T$5.45bn a year earlier. In the first three months of this year, sales fell to T$14.15bn from T$16.65bn.

Acer, which is the world'e seventh-biggest computer maker, attributed the declining sales to lower computer prices, despite higher unit sales.

Industry analysts said the result was in line with expectations. They blamed the faltering sales on lower motherboard prices in comparison to early last year, when Acer began shipping the boards without memory chips because of plummeting chip prices.

Analysts also said Acer'a operations in the US, its biggest market, have not performed as well as hoped with Compaq in particular aggressively eating into market share. Profit figures for the quarter will be released separately.

Glyn Genin

Shouldering the burden: sales are down at Acer, Taiwan's leading computer maker

ASIA-PACIFIC NEWS DIGEST

Village Roadshow raises Austereo bid

Village Roadshow, the Australian cinema and entertainment group, yesterday raised its bid for the 47.2 per cent of Austereo that it does not own from A$2.35 a share to A$2.55. The new offer values the radio broadcaster at about A$440m ($345m), and the shares which Village is seeking to acquire at about A$209m.

Village's move comes after independent advisers valued Austereo's shares in the range of A$2.38 to A$2.71. The increased offer immediately won support from Austereo's independent directors, who are backing the Village bid in the absence of a higher offer. Village plans to fund the bid via four share placements – both to institutions and to three of its existing shareholders – and a recently-arranged debt facility. Austereo has stations in most large Australian cities and aims at the under-45 age group.

Nikki Tait, Sydney

Highlands plans A$190m issue

Highlands Pacific, the Australian mining group, said yesterday it had secured underwriting for a planned A$190m (US$148m) equity issue, and now aimed to complete registration of a share prospectus in about two weeks. The newly-formed company is attempting to raise the money to buy out some assets of the former Highlands Gold mining group which was taken over by Canada's Placer Dome.

Placer Doma was interested primarily in Highlands' 25 per cent equity stake in the big Porgera goldmine in Papua New Guinea. It agreed to sell on the other assets to Highlands Pacific. These consist principally of a 80 per cent interest in the Ramu nickel project and the 85 per cent-owned Frieda River copper-gold project, both of which are also in PNG and have yet to be developed.

Highlands Pacific would pay Placer A$107m and take on A$33m of debt – with the remaining funds raised forming working capital. Papua New Guinea institutions had said they would take about 60 per cent of the issue, but negotiations continued until late on Tuesday night, after several previous extensions to the underwriting deadline.

Nikki Tait and agencies

Citic trims subsidiaries

China International Trust & Investment Corp, one of China's largest financial and industrial conglomerates, has closed down 300 of its 800 companies over the past three years. The closures, among the group's 30 subsidiaries, are part of Citic's plans to streamline its operations and divest unprofitable units. Its strategy is to focus on banking, telecommunications, raw materials and infrastructure.

AP-DJ, Beijing

Hindalco predicts profit slip

Hindalco Industries, India's largest private aluminium maker, said its net profit would experience a "marginal decline" in the year to March from Rs4bn ($103m) a year earlier. It blamed "a grid failure in April 1996 which resulted in a production loss of about 7bn tonnes". As a result of the power problems, aluminium output last year would fall to about 167bn tonnes, from 175.4bn the year before. The company said exports for 1996-97 would be more than 26bn tonnes, worth about Rs1.6bn, an increase of approximately 52 per cent in value and 62 per cent in volume.

Reuter, Bombay

Infosys earnings surge as revenues grow 53%

By Tony Tassell in Bombay

Infosys Technologies, one of India's largest software producers, has strengthened its reputation as one of the country's top-rated companies among foreign investors by reporting better than expected results for the year to March 31.

Continuing a strong record set over the past few years, the company lifted its net profit before extraordinary income by 59 per cent to Rs333.9m ($9.31m) – a performance described as "spectacular" by stockbrokers Jardine Fleming India.

Infosys lifted its revenue 53 per cent to Rs1.43bn.

The Infosys board also declared a one-for-one bonus issue of shares and became the second in India to raise the ceiling on foreign investment in the company from 24 per cent to 30 per cent, as recently allowed under India's national budget of February 28.

The size of the company's net profit may be modest in comparison with international peers, but as a pace-setter for Indian industry, Infosys attracts a disproportionate amount of foreign investor interest.

Broking houses routinely describe the company as one of the best in India in terms of quality of management, transparency, global competitivaness and "investor friendliness".

Infosys has been one of the leaders in improving standards of corporate governance, becoming the first Indian company to adopt US GAAP accounting standards in 1994-95 on a regular basis.

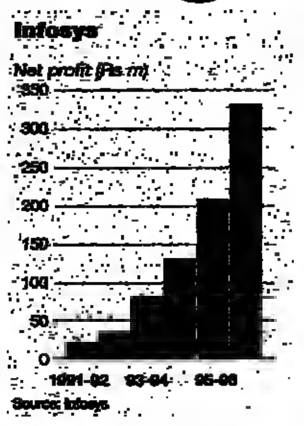
The company is also seen to be at the forefront of moving the rapidly growing Indian software industry up the "value-addition chain" from basic programming for projects to more complex work and products.

According to analysts, foreign investors are particularly interested in the company because the eoftware industry is one of India's most globally competitive sectors with a large pool of Englieh-speaking technical staff and wage costs at least 50 per cent below levels in western countries.

They add that the sector is largely sheltered from economic and political fluctuations in the country as its income is mostly derived from exports. Of revenues of Rs1.43bn, Rs1.25bn came from exports.

Mr R. Ravi, analyst with Jardine Fleming India, said he was upgrading his firm's forecast for Infosys's nat profit in 1997-98 from Rs400m to Rs483m in the wake of the results.

Infosys



Source: Infosys

Online problems hit Dow Jones profit

By Richard Waters in New York

Dow Jones, the US business information group, reported a sharp drop in earnings for the first three months of this year as its electronic information business suffered from weaker revenues and the first stages of a big investment programme.

The fall came despite a robust quarter for the company's other units, led by The Wall Street Journal, which was aided by lower newsprint prices and a jump in advertising revenue.

Dow Jones reported a 33 per cent decline in net income to $25.4m, while revenues rose 4 per cent to $606m. Its operating profit margin slipped to 10.3 per cent, from 11.8 per cent the year before.

The fall in earnings stemmed from the group's financial information services division, which is based mainly on the Dow Jones Markets business. The company announced plans earlier this year to spend $650m to overhaul the business, which has lost ground to rivals such as Bloomberg and Reuters, whose services have better technology and marketing support.

The division suffered an 83 per cent fall in operating earnings, to $7.5m, while revenues slipped 5.4 per cent, to $229m.

Dow Jones' business publishing division, meanwhile, more than doubled its operating income, to $50.4m, as revenues climbed 11 per cent to $309m. The improvement was based on lower newsprint costs, which fell $11m to $33m, and a 22 per cent rise in advertising lineage at The Wall Street Journal.

The division, which also includes Barron's magazine as well as its television and interactive media operations, more than doubled its operating profit margin, to 16.3 per cent.

The family-controlled company took the first big step in the planned overhaul of its flagging online information business this week, when it announced an agreement with Microsoft to begin work on a new technology infrastructure for the service. The move came despite continuing pressure from some shareholders for the company to reconsider its spending plans.

Mr Peter Kann, chairman, yesterday repeated earlier comments that the near-term performance of Dow Jones Markets, together with the investment programme, would drag down the group's earnings per share this year to between $1.20-$1.40. In 1996, it made $1.96 a share.

The first quarter's earnings were equivalent to 27 cents a share, or 23 cents before the benefit of a one-off gain, just below expectations.

Dow Jones' shares, which reached a record of more than $46 last month, had fallen back to $40¼ by midday yesterday, down $⅝ on the day.

Ralph Lauren to go public with Polo

US designer hopes his company's shares will prove as attractive to investors as his shirts

The polo player on Ralph Lauren's cotton shirts is one of the world's best-known corporate symbols. But familiar though his brand name may be, Mr Lauren's financial affairs have been shrouded in secrecy.

All that is about to change, however, as Polo Ralph Lauren, his holding company, prepares for a $600m initial public offering of shares on the New York stock market.

The registration statement filed with the Securities and Exchange Commission shows that Mr Lauren has already become extremely wealthy through his company, and is about to become even more so.

In the past three years Mr Lauren and "related entities" have collected $222.5m in dividends.

Of the $600m to be raised from the flotation, none will go to Polo Ralph Lauren; nearly all will be divided between the designer and Goldman Sachs, the US investment bank which bought a 28 per cent stake in his company for $135m three years ago.

Nor is Mr Lauren about to relinquish control of the company. The offering will leave him and his family with a special class of B shares which will out-vote the A shares to be sold to the public. The Laurens will also be entitled to elect four of the six directors.

At first glance, this is an inauspicious moment for a New York fashion group to go public, given that US stock markets are sharply off their recent highs.

However, investors seem more likely to evaluate the Lauren issue within the context of the global luxury goods market, which makes the prospects for the offering appear more favourable.

Sales of luxury goods, such as expensive clothes and cosmetics, have shown robust growth in recent years. One catalyst has been the steady increase in demand from established markets such as western Europe, Japan and North America. Another has been the emergence of dynamic new markets in Latin America and south-east Asia.

A number of Mr Lauren's rivals have already taken advantage of favourable market conditions by going public. These include fellow US designers Tommy Hilfiger and Donna Karan, as well as Gucci, the Italian fashion house. Gianni Versace and Valentino, two other Italian designers, are currently considering flotation proposals.

Ralph Lauren and Goldman Sachs are gambling that their issue will meet the same enthusiastic response as that of Gucci, which has seen its shares treble in the 18 months since its initial offering in New York and Amsterdam.

The rise in Gucci's shares has reflected its financial performance. Dismissed as a spent force in the 1980s, Gucci has become one of the hottest brands of the 1990s. Its net income doubled to $168m in the year to January 31, on net revenue up 76 per cent to $881m.

But investors have taken a tougher attitude towards less dynamic luxury brands. The worst case is that of Donna Karan, whose shares have halved in value since the company was floated last July.

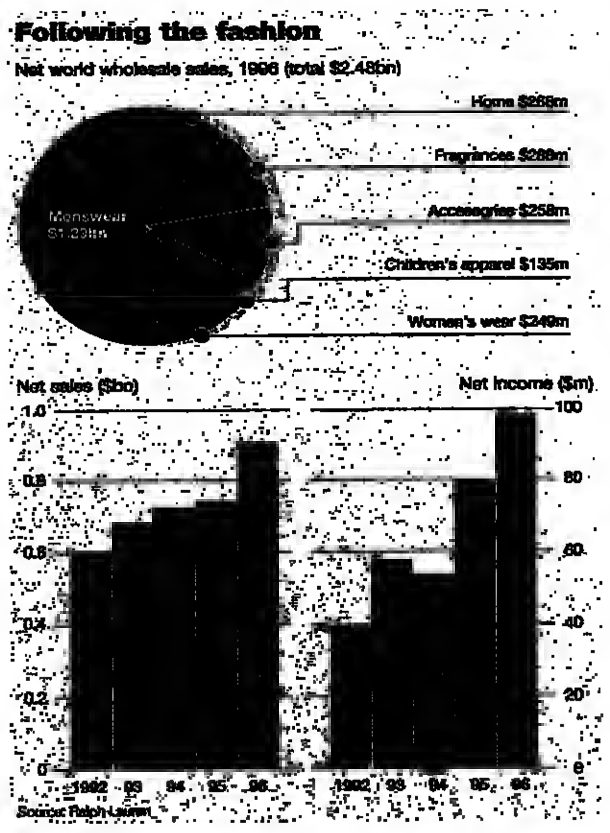
Polo Ralph Lauren falls somewhere between Gucci and Donna Karan. It is the biggest of the three, with revenue (including licensing income) up from $847m to $1.02bn in the year to March 1996, when net income rose from $80.2m to $98.8m. The wholesale value of all the products bearing its brand names reached $2.5bn last year.

The Lauren group's recent earnings record has been less spectacular than that of Gucci, but more stable than Donna Karan's.

Mr Lauren must now make that argument to investors, in the hope that they will be as enthusiastic about buying his shares as they are about his Polo shirts.

Alice Rawsthorn and Richard Tomkins

Following the fashion



Source: Ralph Lauren

Sidek to take legal action against former staff

By Leslie Crawford in Mexico City

A shareholders' meeting at Grupo Sidek, the Mexican tourism and real estate group, which in 1995 defaulted on $2.2bn of debt, has instructed management to pursue legal action in connection with alleged improper activities of former employees.

Sidek estimates these "suspected irregularities", including the rigging of construction contracts and payment of inflated sales commissions, to have cost the company $40m.

One Sidek executive said: "We realise this is small fry compared with the task of restructuring our debts, but the disclosure of irregularities uncovered at the company forms part of Sidek's new policy of being more frank with investors."

Creditors are seeking an orderly liquidation of the company. After Sidek made a 2.43bn peso ($308m) loss in 1996, its liabilities became greater than its assets and, under Mexican law, any creditor is now entitled to initiate liquidation proceedings against the group.

Sidek became technically insolvent after deciding to set aside $400m in reserves last year to cover "doubtful receivables", including unpaid instalments of its time-share schemes.

Executives admit they artificially bloated profits in the early 1990s by recording the full sale value of holiday condominiums as soon as a down payment was received.

Last month, Sidek's American Depositary Receipts were suspended on the New York Stock Exchange, and are expected to be delisted shortly.

In Mexico, trading in Sidek shares has been restricted by the securities commission.

The largest group of creditors, 17 Mexican commercial banks which hold $1.5bn of Sidek's $2.2bn debt, have given Sidek until the end of June to present an acceptable restructuring plan.

This is expected to include the sale, over a number of years, of most of the hotels, marinas, golf clubs and real estate owned by Sidek and its tourism developer Situr.

A question mark hangs over the future of Simec, the group's profitable steel subsidiary. Sidek's controlling shareholders, the Martinez Guitrón family of Guadalajara, are trying to save Simec from liquidation.

But Sidek pledged the steel company's assets as collateral for a $170m emergency loan during Mexico's financial crisis in 1995. As a result, creditors believe Simec should be sold to help repay the debts of its parent.

SBC Warburg sets up US development panel

By Tracy Corrigan in New York

SBC Warburg has set up an American Business Development Committee to focus on the "strategic direction" of the business, the bank announced yesterday.

This will include a review of the options for developing the business, whether by building organically or making an acquisition.

SBC is one of a number of European banks trying to expand its US operation, in an attempt to join an emerging elite of global financial institutions.

The bank also announced changes to the senior management of its US business, following the retirement of Mr John Dugan, chief executive officer of SBC Warburg North America, on April 1.

SBC Warburg has so far been less aggressive than some European banks, such as Union Bank of Switzerland and Deutsche Morgan Grenfell, in building its US business. Mr Hans de Gier, the bank chairman, told the Financial Times six months ago that "we are not interested in being a medium-sized business" in the US, but added that the bank would stay out of markets where it cannot have a dominant position. SBC officials were unavailable to comment yesterday.

"I think SBC has been too busy sorting out its Warburg acquisition" to make a move in the US, said one New York-based investment banker. But he added that most of the securities firms which it could buy would provide a stepping stone, rather than catapulting SBC into the ranks of the US "bulge bracket" firms.

Mr Andy Siciliano, global head of SBC's rates and foreign exchange divisions and a member of the SBC Group executive board, has moved from London to New York, and will head the business development committee.

Mr Simon Canning, president and chief executive officer of the bank's securities subsidiary, will also become president and chief operating officer of the Americas, reporting to Mr Gier. Mr Karlheinz Muhr is appointed head of corporate finance for the Americas.

Surge in US media deals fuelled by deregulation

By Christopher Parkes in Los Angeles

Deregulation of broadcasting and stock market strength fuelled a 38 per cent surge to $113bn in the value of mergers, acquisitions, share offerings and other financial deals in the US communications industry last year, according to analysis just published.

Activity reached new peaks in business information services, where M&A deals were worth $13bn compared with $5bn in 1995. Initial public offerings also hit new highs, with 11 information providers coming to market to raise $756m. Transactions in the interactive digital media sector also contributed strongly to the record year, with $4.7bn worth of M&A activity compared with $1.8bn in 1995 and $283m in 1993.

Veronis, Suhler, the specialist communications industry investment bank, reported a three-fold increase to $47.6bn in the value of deals in the television and radio business.

Walt Disney's $19bn purchase of Capital Cities/ABC accounted for the lion's share of the total, and the $4.9bn acquisition of Infinity Broadcasting by Westinghouse stole the limelight in the radio sector.

"The multiples paid for broadcast properties have been rising at a steady clip," said Mr Gene Jankowski, the Veronis, Suhler television expert. Last year saw multiples of more than 11 times cash flow for TV stations compared with eight times in the early 1990s, when the recession had all but extinguished interest. Radio multiples had climbed from seven to eight times cash flow in 1991 to as much as 15 times in 1996, when there were 28 transactions worth $100m or more.

The main driver of this trend was the 1996 Telecommunications Act, which allowed broadcast companies to extend station ownership in individual markets. In subscription video services – mainly cable and pay-per-view TV – market maturity and reduced opportunities for growing cash flow continued to spur disposals.

While some operators, such as Times Mirror and Viacom, abandoned the field, other integrated groups such as US West and Time Warner – purchaser of Turner Broadcasting and Cablevision Industries – expanded their holdings.

The value of M&A deals climbed 23 per cent to $27bn from $22bn in 1995, $10bn in 1994 and an average of less than $1.3bn in the preceding three years. The most dramatic slowdown was recorded in the film business. Total transactions slid to $363m, compared with $11bn in 1994 and $8bn in 1995, when Paramount and MCA changed hands.

AMERICAS NEWS DIGEST

Iberia sells stake in Chilean carrier

Iberia, the Spanish state airline that recently pulled out of its investment in Venezuelan airline Viasa, has sold its 38 per cent stake in Ladeco, Chile's ailing second airline, to the Chilean majority shareholders for an undisclosed sum. The deal brings to an end a six-year tussle between Iberia and its Chilean partners, which now hold 96 per cent of Ladeco through a holding company, Inversiones Aeronauticas. Among the main owners are Senator Sebastian Piñera and Mr Enrique Cueto, who also own substantial individual stakes in LanChile, the flagship airline. They plan to combine the operations of the two companies and inject some $15m of new capital into Ladeco as part of an overall restructuring of its operations.

A source close to the majority shareholders said Ladeco's current value was "undefinable" but confirmed that the airline had debts of $30m. Ladeco has a position in the market and a name for good service, and would complement Lan's local service.

Senator Piñera, who is retiring from Congress at the end of this year, has said he has big plans for his aviation interests. "The aviation business is changing dramatically, and I believe that in Latin America only two or three airlines will survive. One of those is going to be Lan Chile." *Imogen Mark, Santiago*

Chrysler to upgrade plants

Chrysler yesterday announced plans to spend $1.3bn to increase capacity at a number of its plants in Detroit, continuing its 1990s policy of making incremental additions to existing facilities to lift output.

The investments, to be made over the next five years, include $750m of spending at the carmaker's five-year-old Jefferson-North assembly plant. The plant, which makes the popular Jeep Grand Cherokee, has been working round the clock since 1994 to produce 300,000 vehicles a year.

The extra spending will raise the capacity at the plant, but Chrysler did not release figures for the potential output in the future.

The Jefferson-North investment is timed to coincide with the launch of a new version of the Jeep, due in late 1998. The market for such sports utilities vehicles has become increasingly competitive, with the arrival of new models from a range of foreign manufacturers to challenge Detroit's sector leadership. However, Chrysler's investment points to a continued confidence that large, powerful vehicles like the Jeep will continue to increase the group's share of new vehicle sales in North America. *Richard Waters, New York*

Conrail break-up deal agreed

CSX and Norfolk Southern, two of the three big railroads on the eastern side of the US, have reached a final agreement on how they will carve up Conrail, the third of the trio, following the collapse of Conrail's proposed friendly merger with CSX.

Under the new deal, CSX and Norfolk Southern will jointly buy Conrail for $115 a share in cash, or $10.2bn, with CSX contributing $4.3bn for a 42 per cent share of the company and Norfolk Southern contributing $5.9bn for a 58 per cent share. The totals include amounts already spent by the two to accumulate Conrail shares.

Conrail's routes, which form an "x" with the centre of the cross in Ohio, will be divided between CSX and Norfolk Southern, with each railroad operating two of the four legs of the "x". The result will be to give both railroads access to the important New York market formerly monopolised by Conrail, restoring competition to the region's railroads after a gap of nearly 30 years.

The deal ends a bidding war that began last October when CSX and Conrail agreed an $8.4bn friendly merger. That deal fell through after Norfolk Southern successfully challenged it. *Richard Tomkins, New York*

COMPANIES AND FINANCE: UK AND IRELAND

JRA in £392m reverse takeover

By Christopher Adams, Insurance Correspondent

J. Rothschild Assurance, which specialises in selling life assurance to the City's wealthy high flyers, has unveiled a reverse takeover of holding company, St. James's Place Capital, in a move which brings it to the stock market and realises another personal fortune for co-founder Sir Mark Weinberg.

The enlarged business will be better able to reward the self-employed sales staff of J. Rothschild, who together with the founders, own 34 per cent of the company because of their remuneration in share options.

St. James's, which has 44 per cent of J Rothschild's ordinary share capital, is to buy all the shares it does not own for £191m ($304m), issuing 1.75 of its shares for every ordinary one J. Rothschild. The deal values the life assurer at £392m.

Prudential, the UK's biggest life assurer, has taken advantage of the opportunity presented by its takeover of Scottish Amicable, which owns 22 per cent of J. Rothschild, to expand into the high income area of the life market where it has little exposure. It is offering to pay 130p a share to lift its stake in St James by 7.7 per cent to 29.9 per cent.

Shares in St James's rose 6p to close at 131½p.

Sir Peter Davis, chief executive of Prudential, said the group did not intend to increase its stake any further. Its holding will fall just short of the level at which a bid would be triggered.

Some analysts, however, were unconvinced that Prudential would not launch a takeover over the longer term.

J. Rothschild Assurance, which was founded only six years ago, yesterday announced after-tax profits for 1996 of £30.5m ($32.4m) and a 39 per cent rise in new business, compared with an industry-wide increase of 24 per cent. It had aimed to come to the market through flotation, but the unlikely prospect of a dividend in the early years would have made an independent listing difficult to achieve.

St. James's, which is already listed, has its own dividend stream. In addition, equity is available to provide the highly rated salesforce with a new share option scheme.

Sir Mark, who remains as executive chairman of St James's and who founded Abbey Life and Allied Dunbar, will receive just over 10m new shares in St. James's, but will not be able to sell the bulk of those for at least 12 months. He will, however, along with the other two founders, Mr Michael Wilson and Mr Keith Carby, sell 20 per cent to Prudential netting £7m.

Aer Lingus told to link up

By John Murray Brown in Dublin

Aer Lingus, the Irish national airline, has been instructed by the government to find a strategic partner by the year-end.

Mr Alan Dukes, minister for transport, energy and communications, said he had told the Aer Lingus board to "explore the possibilities of entering into a major strategic alliance, with or without the transfer of equity".

However, Mr Bernie Cahill, chairman, urged a more cautious approach yesterday. He indicated that Aer Lingus should only embark on discussions "from a position of strength," and said "all enterprises within the group" should be on a sound financial footing before negotiations with a strategic partner opened.

The company more than doubled pre-tax profits last year from I£17.8m to I£40.9m ($62m) after an I£175m government rescue which returned it to the black in 1995 for the first time in five years.

Mr Cahill stressed the results had been achieved during a peak of activity in international aviation, which was probably at the top of its trade cycle.

Buoyed by strong tourist arrivals and an economy growing at 7 per cent, turnover increased 9 per cent to I£781m. Profits from continuing operations rose 4 per cent to I£42.8m.

Team Aer Lingus, the maintenance subsidiary, deepened operating losses to I£5.8m (I£5m). Officials indicated the company would not wait for Team to break even – a position not expected until 1999 – before looking for a strategic alliance. All other divisions reported profits.

The strong cashflow, together with proceeds from disposals of non-core businesses, reduced net interest charges from I£20.4m to I£1.3m.

There was an exceptional gain of I£4.4m (£11.7m charge), relating to the write-back of loss provisions on two Boeing 767 aircraft lease agreements.

LEX COMMENT

St James's

Look past the bewildering flurry of acronyms, share issues and embedded value calculations and yesterday's reverse takeover of St. James's Place Capital (SJPC) by J. Rothschild Assurance (JRA) achieves three very simple things. It enables JRA to float on the stock market more rapidly than it could have on its own. It unifies the managements of JRA and SJPC. And it simplifies JRA's complex capital structure, allowing it to be more easily understood by investors.

The flotation is particularly important for JRA, a 5-year old life assurer. As a quoted company, it will be able to offer share options to attract the best sales people at a time when "golden hellos" are spreading through the insurance industry. By-the-by, it also allows chairman Sir Mark Weinberg and his two co-founders to cash in nearly £8m worth of shares.

Following the deal, SJPC will own all of JRA as well as stakes in a small fund manager and a life assurance run-off fund. Income from those will fund dividends while JRA is still consuming cash. And to provide additional capital there is the Prudential, which is topping its inherited stake up to 30 per cent in return for exposure to JRA's upmarket clientele.

At 14 times its new business profits, the transaction values JRA at only a modest premium to the mature life sector. For SJPC shareholders, who see their opaque financial holding company transformed into a fast-growing life assurer at a reasonable price, this looks a good deal.

Smiths and Sextant in European alliance talks

By Tim Burt

Smiths Industries, one of the world's largest manufacturers of cockpit equipment, is in talks with Sextant Avionique of France aimed at forming a European alliance in aerospace components.

The two companies are understood to be discussing collaborative programmes and licensing agreements to challenge US rivals such as Honeywell.

Smiths, reporting first-half profits up from £69.5m to £84.2m ($134m), declined to comment on the negotiations yesterday. Privately, however, officials confirmed preliminary talks were under way. If successful, an agreement could enable Smiths to realise its long-held ambition of becoming a supplier to Airbus Industrie, the European civil aircraft consortium.

Sextant – 66 per cent owned by Thomson-CSF, the soon-to-be privatised French consumer and defence electronics group – is a leading avionics supplier to Airbus, while Smiths has a strong presence on Boeing aircraft in the US.

Rising demand from such customers helped lift underlying profits at the UK group by 15 per cent to £80.2m in the six months to February 1, on sales of £495m (£466m).

The company, which also makes medical equipment and industrial products, expects aerospace sales to rise further this year as Boeing steps up production.

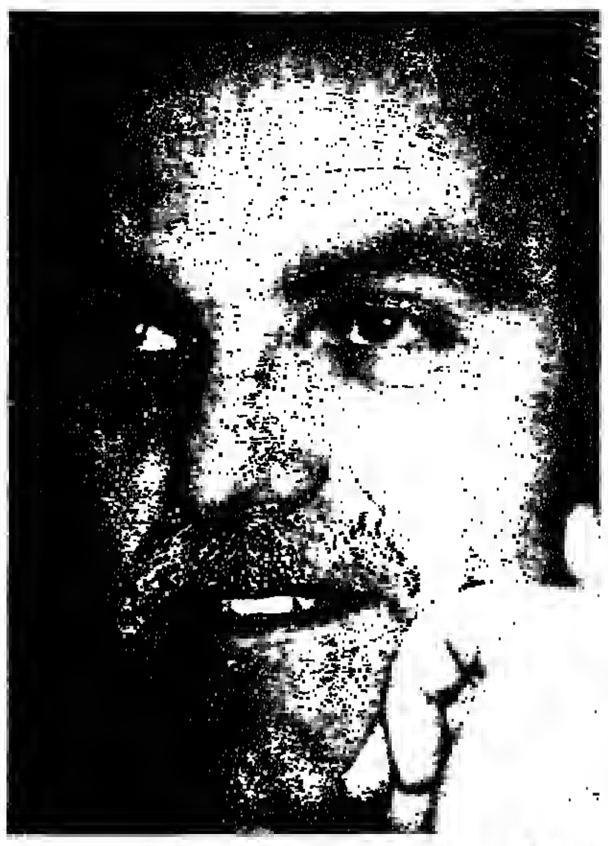
Mr Keith Butler-Wheelhouse, Smiths' new chief executive, is today meeting Boeing executives in Seattle to discuss its reported plans to increase production of 737 short-haul jets from 22 to 31 a month.

At the same time, on-going talks with Sextant could lead to Smiths being named its "partner of choice" for Airbus, which is seeking standardised cockpit components across its family of aircraft.

That could involve Smiths licensing technology and products to Sextant such as satellite navigation controls. It already has a similar licensing agreement in place with Rockwell Collins of the US, used particularly in supplying business jet manufacturers.

The possible Sextant deal, however, is unlikely to be consummated before the privatisation of Thomson-CSF has been completed.

Industry analysts, nevertheless, welcomed prospects of an alliance. "Up to now Smiths has been frozen out of Europe by Sextant, and a collaboration would give it invaluable access to that market," said Mr Robert Speed, research director at Henderson Crosthwaite.



Brendan Corr

Keith Butler-Wheelhouse: meeting with Boeing executives

Brit Steel shares continue to fall

By Peter Marsh

British Steel shares continued to fall yesterday in the wake of cuts in 1997-98 profit forecasts by City analysts, prompted by the large rise in sterling against the D-Mark.

Mr David Larkam, analyst at Albert E Sharp, said he was forecasting pre-tax profits of about £190m ($302m) for the year to March 1998, compared with a projection last October of about £400m. He said the company was "getting slaughtered" by the pound's rise.

The company's shares slipped 2½p yesterday to 150p, making a fall of more than 7 per cent since Monday morning.

At last night's close, the pound traded at DM2.791, up 1.4 pfennigs on the day and nearly 60 pfennigs higher than at the beginning of 1996.

With about 90 per cent of British Steel's output sold in markets influenced by the pound/D-Mark relationship, analysts estimate that each 10 pfennig rise in the pound knocks £100m off the company's full-year profits.

Mr Colin Fell, of Kleinwort Benson, said he was cutting his 1997-98 projection to about £200m, from more than £500m last year. HSBC James Capel and Merrill Lynch have also this week reduced their profits forecasts.

For the year ended March 31 1997, the City is expecting pre-tax profits of about £400m (£1.1bn) on sales of some £7bn.

Anglo may have to sell stake in Lonrho

By Emma Tucker in Strasbourg and Kenneth Gooding in London

The European Commission is this month expected to force Anglo American Corporation, South Africa's biggest company, to sell all or part of its 28 per cent shareholding in Lonrho, or give up its voting rights.

European officials suggest that this is the likely outcome of a five-month inquiry. An advisory committee of national experts has ruled that Anglo's £360m ($572m) purchase of a stake in the UK-based conglomerate is incompatible with EU anti trust regulations.

The committee indicated that as Anglo is already the dominant global platinum producer, controlling about 36 per cent of the output, it should not be permitted to add Lonrho's platinum division to this. Platinum is an essential material in many catalysts, including those used by the motor and chemical industries.

The Commission has until May 5 to reach its decision, but it hardly ever rejects the advice of its advisory committees. Also, the Commission blocked a merger between Impala Platinum, another South African company, and Lonrho's platinum operations last year.

At that time, Mr Karel Van Miert, the EU competition commissioner, signalled he would be likely to stop any move by Anglo to increase its shareholding in Lonrho.

Anglo's only comment yesterday was: "No decision has yet been taken by the Commission. There is just a lot of speculation and we do not comment on speculation."

However, some close to the group suggest that it hopes the Commission will give enough time for Lonrho to complete its restructuring, which might be organised so that the platinum interests would not come to rest with Anglo.

Anglo has alway made it clear that its main reason for buying the Lonrho holding was to get closer to Ashanti Goldfields, of Ghana, in which Lonrho has a 31 per cent stake.

Complicating the issue is the fact that Impala, controlled by Gencor, another South African mining group, insists it has pre-emptive rights to Lonrho's platinum operations should they be offered for sale. Impala already owns 27 per cent of the Lonrho operations. Impala's managing director, Mr Steve Kearney, said yesterday that no discussions had taken place with Anglo about strategies to mollify the EU.

At the same time, Mr Nicholas Morrell, who succeeded Mr Dieter Bock as chief executive of Lonrho in October, after Mr Bock sold his shares to Anglo, has made it clear Lonrho would prefer to buy Impala's stake and regain complete control of the platinum operations.

He feels this would strengthen Lonrho's mining business which would remain its core operations, while the rest of its interests could be sold or demerged.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbot	Yr to Dec 31 ★	106	(30.7)	7.45♠	(1.8♠)	4.6†	(3.5L)	1.28	July 2	1.12	1.92	1.68
Ascot	9 mths to Dec 31 §§	98.7	(52.6)	5.9♠	(19.5♥)	10.5†	(69.9)	3.9	June 23	nil	3.9	nil
Auto Precision	Yr to Dec 31	28	(24)	5.76	(6.11)	9.5	(10.1)	3	May 31	3.3	4.7	5
British Dredging	Yr to Dec 31	42	(38.6)	2.14	(1.9)	12.46	(8.55)	3.3	May 23	3	5.9	5.6
Caverdale	Yr to Dec 31 ★	245.8	(187.5)	5.4	(4.22)	16.3†	(14.5)	2	July 1	1.8	3.6	3
Cirqual	6 mths to Feb 28	13.5	(9.19)	2.78	(1.23)	8.26†	(9.16)	3.27	May 28	nil	-	0.9
Clinical Computing	Yr to Dec 31 ★	1.98	(2.19)	2.08L♠	(0.714L)	12.3L	(4.4L)	-	-	-	-	-
Dowding & Mills	6 mths to Dec 31	61.3	(56.8)	7.12♥	(5.61)	2.84	(2.2)	1.13	May 8	1.06	-	2.96
Eadie	Yr to Dec 31 ★	41.6	(39.7)	1L♠	(2.9)	1.5L	(3.3)	nil	-	0.8	nil	1.2
Fife Indmar	Yr to Dec 31	34.9	(36.3)	1.2	(1.45)	5.02†	(7.2)	2.3	May 9	2.3	3.3	3.3
Highcroft	Yr to Dec 31	1.41	(1.38)	1.34	(1.2)	17.2	(14.9)	3.95	July 4	3.75	6.15	5.85
Hydro Intl	Yr to Dec 31	3.13	(2.29)	0.685L	(2.22L♠)	5.21L	(14.26L)	-	-	-	-	-
Lamont	Yr to Dec 31	122	(125)	8.64L♠	(9.69♥)	20.55L	(22.45)	9.15	July 1	9.15	12.8	12.8
London & Metro	Yr to Dec 31	3.63	(2.58)	3.32L♥	(3.13L)	7L	(6.2L)	-	-	-	-	-
Martin Intl	Yr to Dec 31	111.4	(90.2)	1.25	(1.77L)	2.2	(6.1L)	0.65	July 1	0.65	1.1	1.1
Mears Φ	Yr to Dec 31	12.4	(10.7)	0.426	(0.14)	0.82†	(0.33)	0.2	May 15	-	0.2	-
Moorepay	3 mths to Mar 31	-	(-)	-	(-)	-	(-)	1.15	May 2	1	-	5.85
MultiMedia Φ	Yr to Dec 31	2.35	(2.37)	0.998L	(0.123)	3.46L†	(0.49)	-	-	-	-	-
St James's Place	9 mths to Dec 31 §§	-	(-)	42.3	(47.7♠)	11	(13.7)	1.125	May 26	1.8	1.125	3.3
Sentry Farming	Yr to Dec 31	9.47	(7.32)	1.47	(1.5)	14.9†	(15.2)	5.1	June 5	3.4*	5.1	3.4*
Sleepy Kids	14 mths to Dec 31 §§	1.49	(1.76)	0.435	(0.973)	0.97	(2.96)	0.1	June 24	)0.1	0.1	0.1
Smiths Inds	6 mths to Feb 1	495.3	(466.2)	84.2♥	(69.5)	18.9	(15.4)	6.15	June 6	5.6	-	16.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Jupiter Split	Yr to Dec 31	263.75	(-)	0.943	(-)	9.14	(-)	-	-	-	7.24	-
Old Mutual SA	6 mths to Feb 28	124.2	(159.7)	0.304	(0.247)	0.58	(0.47)	-	-	-	-	0.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★ Comparatives for 15 months. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §§Comparatives for 12 months. ★ Comparatives restated. ΦAim stock. *Adjusted for scrip issue.

TECHNOLOGY

Damian Carrington describes a video system which is capable of all-round vision

Global views

Have you ever wished for eyes in the back of your head? Many people do – from security guards to sports spectators – and now a see-all video camera is set to help them.

The Omnicamera, developed at Columbia University in New York, views in every direction at once, leaving nothing out of view. But the real beauty of this electronic eye is its innovative optical design. This allows the viewer to zoom in on parts of the fish-eye picture and enjoy true-perspective images.

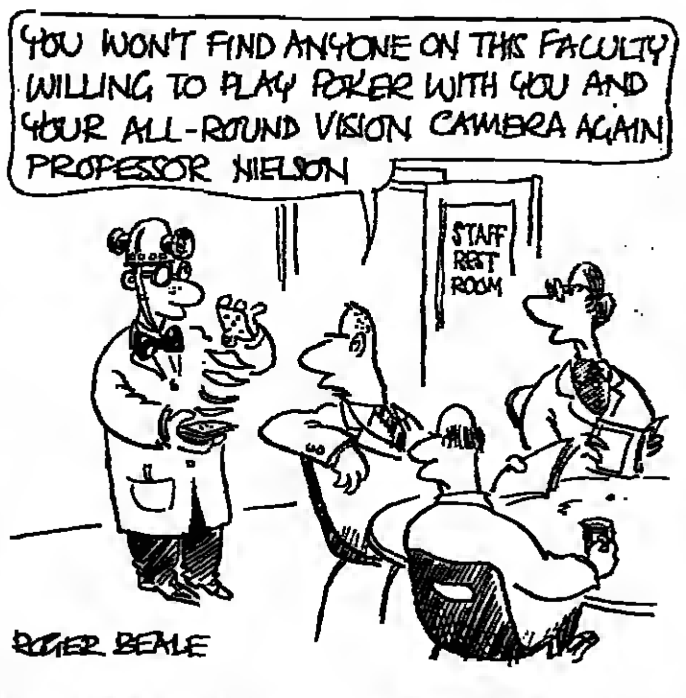
At a concert, the camera could capture the whole hall, enabling the viewer to pick out tha conductor, the soloist and a favourite instrument.

Cameras mounted on a sports pitch would enable fans to see literally the whole match.

The Omnicamera combines a standard video camera with a domed polished-steel mirror. The camera looks down on the mirror, which reflects a hemispheric view of its surroundings.

The key to the Omnicamera is the parabolic curve of the mirror. It causes the light rays reflected into the camera's lens to appear to have come from a single point, mimicking a conventional pinhole camera. Because the outside world is seen from this single viewpoint, the Omnivideo computer software can construct undistorted images of chosen parts. The viewer can use a joystick to scan around the whole image picking ont true-perspective pictures.

A single Omnicamera can observe a half-sphere, hut mount two back-to-back with the focuses of the parabolic mirrors coinciding, and a complete sphere of vision is possible. The only blind spot appears at the mirrors' apexes, where the cameras are looking at themselves.



Previous attempts to huild a truly omnidirectional camera include fish-eye lanses and clusters of conventional ontward-pointing cameras. All have failed to create the single viewpoint. Fish-eye lenses could, at some expense, be made with a single viewpoint, hut the point would lie inside the lens. It would be impossible to put two back-to-back with the foci coinciding.

The Omnicamera is in prototype and several, each designed for different uses, were recently demonstrated at Columbia, by their developer, Shree K. Nayar, an associate professor in the department of computer science.

One of the prototypes is designed for video-conferencing. Its camera and dome, looking rather like a sink plunger, simultaneously watch all the boardroom faces when placed in the middle of a table. Similarly, there are no hiding places from the security surveillance prototype, designed to hang from a ceiling.

A portable prototype could be used in robotic applications.

All tha prototypes operate on the same principle, hut use different lens and mirror sizes to optimise their effectiveness. Each delivers true video rate (30Hz) images and with a standard computer more than 10 full-colour frames can be picked out from the hemispheric image for simultaneous display.

Patent applications have been filed by the university. Nayar sees plenty of scope for his back-watching appliance of science. "The Omnicamera views much more of a scene than the human eye can, and that makes it extremely valuable," he says.

Underground unit parks cars in tight spaces

The shortage of car-parking facilities in the town centres of many countries has played a big part in the consumer migration to more spacious out-of-town superstores.

Many shoppers find a slightly longer journey is preferable to endless restrictions on street parking or a slow crawl through the decks of the dreaded multi-storey car park.

A solution to town-centre parking problems that has been a success in Italy is coming to the UK and other countries where city-centre parking space is at a premium. These include Japan, Malaysia, Singapore and Hong Kong.

Trevi, an Italian engineering company, has developed a computerised, underground car park which allows the driver to stay on the surface while the car is automatically stored below ground. In the past four years several computerised Treviparks have been installed in Italy and another 30 are on the way.

At surface level, the Trevipark system needs only a small entrance and exit. This means the above-ground area can be independently developed without interfering with the car park's operation. This flexibility makes the design ideal for areas with restricted space such as hotels, offices, blocks of flats and shopping or leisure developments.

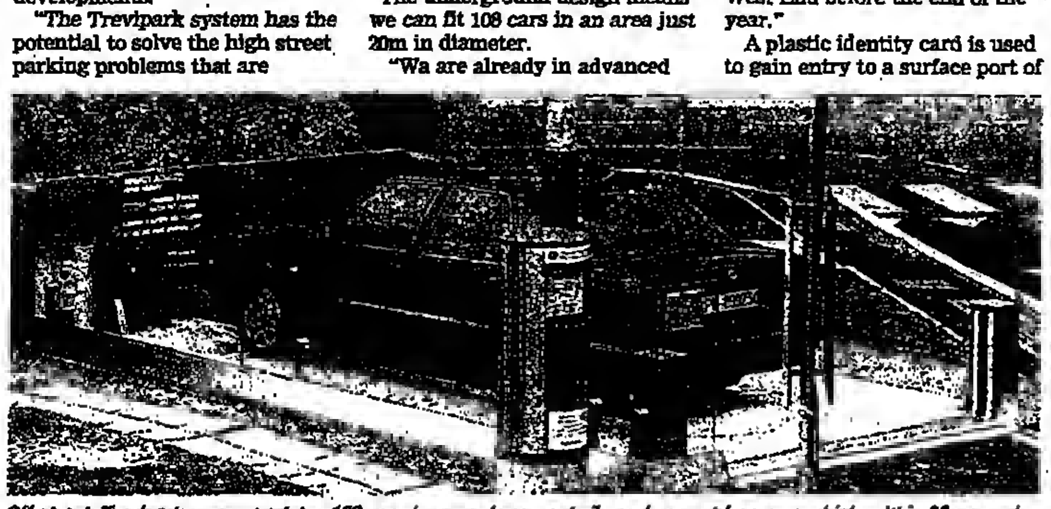
"The Trevipark system has the potential to solve the high street parking problems that are encouraging so many customers to shop at out-of-town superstores," says Les Allen-Vercoe, director of Trevipark, the UK subsidiary. "The underground design means we can fit 108 cars in an area just 20m in diameter.

"Wa are already in advanced discussions with a central London residential developer, which means the first computer-controlled automatic car park will be installed in the West End before the end of the year."

A plastic identity card is used to gain entry to a surface port of tha Trevipark, which is fenced with railings, barriers and safety glass. A steel platform rises through a trapdoor and the car is driven on to it. Once the driver has locked the vehicle and punched the relevant code into a control box, the car is lowered to one of nine levels. When the computer detects an empty bay the steel platform holding the car is slid into position. The car can be retrieved in less than 90 seconds – facing the exit so the driver does not need to reverse out.

"Unmanned car parks mean low operating costs," says Allen-Vercoe. "The nature of the design also means cars are protected from the covetous gaze of thieves and the dangerous manoeuvres of erratic drivers."

Average construction time is between four months and six months, and the annual operating cost in the UK will be about £250 per space, says Allen-Vercoe. This compares with nearly £1,000 per space for typical multi-storeys, he says, including labour, energy and other costs.

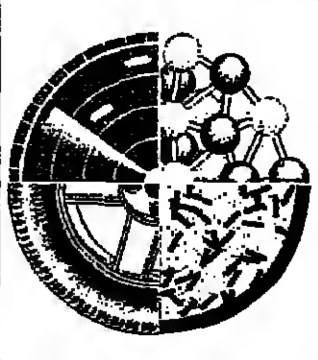


Off-street: Trevipark accommodates 108 cars in an underground silo and can retrieve any vehicle within 90 seconds

Lee Hibbert

The writer works for Professional Engineering magazine.

Worth Watching · Vanessa Houlder



Diabetics' help under the skin

Diabetics could find it easier to monitor their hlood sugar levels with a sensor that can be implanted under the skin.

The hiosensor, still being developed, was devised by Pankaj Vadgama, a professor at Hope Hospital in Manchester. It produces an electrical signal following any change in blood sugar levels.

The sensor, which is being developed by Sensor Solutions of Manchester, comprises a series of polymer membranes around an electrode – one layer contains an enzyme that reacts to glucose in the surrounding tissue.

The device will undergo clinical trials later in the year. The next stage in its development will be setting up a feedback loop to trigger a dose of insulin if and when it is required.

Sensor Solutions: UK, tel (0)161 2321922; fax (0)161 2262263.

Food packaging just melts away

US food scientists have found a way to make biodegradable packaging materials from a protein extracted from corn.

The researchers at the University of Illinois at Urbana-Champaign turned "zein", left over when corn is turned into ethanol, into plasticised resins by melting it down with fatty acids.

It could then be moulded into plates, sandwich containers and trays. The researchers are now working on making flexible wrapping materials from zein.

The plasticised zein can degrade naturally, slowly releasing nitrogen into the soil.

Zein, which is at present available only in relatively small quantities, is now used to make specialist coatings for pharmaceutical tablets and dried fruits.

The Illinois scientists believe their process could create a new market for zein – and corn – because of increasing demand for biodegradable containers.

University of Illinois at Urbana-Champaign: US, tel 217 3331085; e-mail uinews@uiuc.edu

Paint stripped with CO_2 pellets

A machine designed to fire fuel pellets into fusion reactors at high speed has been adapted to make a highly efficient paint stripper by the US Department of Energy's Oak Ridge National Laboratory.

The centrifugal pellet accelerator, which shoots out thousands of frozen carbon dioxide pellets every second at high speed, can strip old paint and dirt from bridges, ships and process equipment.

Its advantage over conventional cleaning methods is that it does not reqnire solvents or abrasive materials. The pellets evaporate after they have stripped the old paint off the surface.

The laboratory says its cryoblaster is more efficient and effective than the equipment using dry ice pellets that is already available.

Oak Ridge National Laboratory: US, tel 4235760226; http://www.ornl.gov

Pyramid strictly for the birds

Farmers wanting to scare birds away from crops often find conventional scarecrows ineffective, while the noise from gas-powered "guns" irritates the neighbours.

A silent alternative has been devised by a Norfolk farmer. The Peaceful Pyramid is a battery-powered, revolving mirrored pyramid that reflects flashes of light. Each pyramid can protect an area of at least 10 acres. The pyramid costs £80, plus VAT.

An improved version is being developed that will stop automatically when darkness falls – each battery will last for three to four months.

Peaceful Pyramid: UK, tel (0)1692 402213; fax (0)1692 501032.

Acer Incorporated
(the "Company")
US$45,000,000
4 per cent. Bonds Due 2001 (the "Bonds")

The Company hereby notifies Boudholders that its annual general meeting will be held on May 28, 1997. In accordance with the conditions of the Bonds the Company has set a record date in respect of such meeting on April 28, 1997.

ACER INCORPORATED
10 April 1997 CITIBANK

MFS INTERNATIONAL FUNDS
Société d'Investissement à Capital Variable
47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg No. B 38.348

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 28, 1997 at 10.00 a.m. at the offices of State Street Bank Luxembourg S.A., 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss accrual as of December 31, 1996 and the allocation of the net profits.
3. Discharge to be granted to the Directors and to the Auditor for the fiscal year ended December 31, 1996.
4. Action on nomination for the election of Directors and Auditors for the ensuing year.
5. Disclosure regarding the Directors' recommendation for the distribution of dividends according to the prospectus and the Articles of Incorporation.
6. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

TriGem Computer, Inc.
(Incorporated with limited liability in the Republic of Korea)

NOTICE
To the holders of the outstanding
U.S. $30,000,000
3½ per cent. Convertible Bonds due 2005
of
TriGem Computer, Inc.
(the "Bonds" and the "Company" respectively)

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, as a result of the new issue of Bond with Warrants by the Company to Holders of warrants to subscribe for up to 731,707 shares, the Conversion Price per share of common stock of the Company has, pursuant to the provision of the Trust Deed constituting the Bonds, been adjusted from Won 26,336 to Won 24,076 effective 31st March, 1997.

10th April, 1997 TriGem Computer, Inc.

THE JAPANESE WARRANT FUND
Société d'Investissement à Capital Fixe
("in liquidation")
European Bank & Business Centre,
6, Route de Trèves, L-2633 Senningerberg,
Grand Duchy of Luxembourg
R.C. Luxembourg B 31629

Extraordinary General Meeting

The Board of Directors of The Japanese Warrant Fund ("the Company") has been concerned for some time by the poor performance of the net asset value of the Company consequent upon the long decline in the Japanese warrant market. In addition, the shares of the Company have recently been trading at a significant discount to the oet asset value.

The Board of Directors reviewed the proposals concerning the future of the Company and as a result, the shareholders of The Japanese Warrant Fund are hereby notified that an Extraordinary General Meetiog will be held oo 18 April 1997 at 2:30 p.m. (Luxembourg time) at the registered office of the Company with the following agenda:

1. To resolve on the liquidation of The Japanese Warrant Fund;
2. To appoint and to determine the powers of the Liquidator.

Shareholders are advised that the quorum for this Extraordinary General Meeting is 50 % of the shares outstanding and that to be valid resolutions must be carried by a majority of two thirds of the shares represented at the meeting.

The holders of bearer shares who wish to attend this meeting are requested to deposit their share certificates five days prior to the meeting with Kredietbank S.A. Luxembourgeoise, Conservation titres, 43 boulevard Royal, L-2955 Luxembourg.

Shareholders who canoot personally attend the meetings are requested to use the prescribed form of proxy (available at the registered office of the Company). Proxies should be returned at the latest on the day preceding the meeting to the Company, c/o Fleming Fund Management (Luxembourg) S.A., L-2888 Luxembourg.

By order of the Board of Directors, HENRY C. KELLY, April 1997

FLEMINGS

Notice of Adjustment to the Conversion Price
Samwhan Corporation
(the "Issuer")
U.S. $24,000,000
0.25% Convertible Bonds due 2005
(the "Bonds")
Convertible into Shares of Common Stock of the Issuer
("Common Shares")

NOTICE IS HEREBY GIVEN to holders of the Bonds, that following the issue of Won 15,000,000,000 Convertible Bonds due December 31, 2000, at an initial Conversion Price of Won 9,720 per share, on March 27, 1997. The said Conversion Price is less than the current market price per share of the Issuer. As a result of such issue, the Conversion Price of the Bonds has, in accordance with the Trust Deed dated November 28, 1995, been adjusted from Won 22,036 to Won 21,345 with effect from March 27, 1997.

The Chase Manhattan Bank
for and on behalf of
Samwhan Corporation
April 10, 1997 CHASE

Notice to Bondholders
Hankook Tire Manufacturing Co., Ltd.
(Incorporated in the Republic of Korea with limited liability)
(the "Company")
U.S. $25,000,000
0.25% Convertible Bonds due 2010
and
U.S. $25,000,000
0.25% Convertible Bonds due 2011
(the "Bonds")

Pursuant to provisions of the Trust Deed constituting the Bonds, notice is hereby given as follows:

The issue of Bonds convertible into shares was authorised by a resolution of the Board of Directors of the Company passed on 27th March, 1997.

1. The Issue Date: 19th April, 1997.
2. Conversion Price has been adjusted as follows:
(pursuant to the provisions of the Trust Deed, effective immediately after the Issue Date)

	before adjustment	after adjustment
1st Convertible Bonds	Won 72,418	Won 77,060
2nd Convertible Bonds	Won 48,975	Won 48,693

10th April, 1997 Hankook Tire Manufacturing Co., Ltd.

PUBLIC NOTICES

OFFICE OF FAIR TRADING

Valpak Limited - notification of an agreement

The Producer Responsibility Obligations (Packaging Waste) Regulations 1997 ("the Regulations")

Under these Regulations, certain businesses have obligations regarding the recovery and recycling of packaging. They can either act alone to meet the requirements of the Regulations, or join a registered compliance scheme which will assume this responsibility for its members.

The Director General of Fair Trading has a duty to undertake a competition scrutiny of all compliance schemes prior to their registration.

The Director General has received a submission concerning the operation of a company to be known as Valpak Limited.

This company intends to operate a compliance scheme covering all materials to which the Regulations apply. These materials are glass, metal, paper and fibreboard, and plastic.

The Director General invites comments from interested third parties in relation to the scheme to be operated by Valpak Limited. They should be addressed to:

David Blocksidge
Office of Fair Trading
Competition Policy Division
Field House
15-25 Bream's Buildings
London EC4A 1PR

To be considered as part of this consultation, comments must be received by 30 April 1997.

MALAYSIA

US$650,000,000
Floating rate notes
due 2005

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period from 10 April 1997 to 10 October 1997 the notes will carry an interest rate of 6.0625% per annum. Interest payable on 10 October 1997 will amount to US$308.18 per US$10,000 note and US$7,704.43 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Cheung Kong Finance Cayman Limited

U.S. $500,000,000

Guaranteed Step-Up Floating Rate Notes due January 2001

For the interest period 9th April, 1997 to 9th July, 1997 the Notes will carry an interest rate of 6.51641% per annum, with an interest amount of U.S. $82.36 per U.S. $5,000 Denomination Note and U.S. $1,647.20 per U.S. $100,000 Denomination Note, payable on 9th July, 1997.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

CONTRACTS & TENDERS

OFFICE OF FAIR TRADING

Valpak Limited - notification of an agreement

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Rally resumes in Italian BTP prices

GOVERNMENT BONDS

By Michael Lindemann in London and Lisa Bransten in New York

Italy's mercurial politics provided most of the action in the European government bond markets yesterday, with other sectors largely unchanged. In the US, prices were also flat as investors anticipated a raft of corporate bond issues.

Italian BTPs resumed their rally. In London, the June BTP future closed at 127.75, up 0.71, after the left-wing Communist Refoundation (RC) party agreed to support Mr Romano Prodi's plans to send 2,500 Italian troops to head a multinational force to Albania. In the cash market the 10-year yield spread of BTPs over bunds tightened 8 basis points to 175 points.

However, while the 10-month-old coalition had ridden out the immediate crisis, analysts said Italian bonds would be in for a rough ride in coming months because of the battering Mr Prodi had received. "His political credentials are at risk," said Ms Sharda Persaud, senior economist at San Paolo Bank.

The new three-year plan for the Italian economy is expected in May, and with it might come further pension reform proposals likely to anger the RC and cause friction within Italy's centre-left coalition.

Other analysts suggested the political uncertainty was heightened by the possibility of limited co-operation between Mr Silvio Berlusconi's Freedom Alliance and Mr Massimo D'Alema's Party of the Democratic Left, a prospect which also signals difficulties for Mr Prodi.

Spanish bonos ended a quiet session slightly higher. In Barcelona the June bono future closed at 113.50, up 0.12. Analysts said the market was unlikely to move much ahead of the March consumer price inflation figures due on Friday.

French OATs showed more spirit, the June notional future gaining 0.30 to settle at 128.60. Some analysts held out the likelihood of a cut today in the French central bank's intervention rate, given the relative strength of the franc against the D-Mark and expectations of slightly stronger March household sentiment data, due to be published today. Others, however, suggested a rate cut was premature.

"I think it's unlikely," said Mr Phil Tyson, at HSBC. "There is only a 10 basis point gap between the French intervention rate and the German repo rate, so that gives the French very little scope to stem the strength of the franc."

German bunds edged higher, the June bund future closing 0.05 higher in London, at 100.27. Mr Ifty Islam, at Merrill Lynch, said 10-year bunds had been outperforming US Treasuries with similar maturities, which increased the likelihood that investors would switch back to Treasuries.

UK gilts barely reacted to a 0.6 per cent fall in February industrial production and a 0.2 per cent rise for manufacturing output in the same month. The June long gilt future closed at 109¾, up $\frac{1}{32}$.

US Treasury prices were flat in thin trading at midday as pressures from corporate supply outweighed gains made overnight on foreign buying.

Bonds were firmer when the New York session began as the stronger dollar led to buying by some foreign accounts, but they quickly began giving up their gains as investors sold bonds in advance of an expected wave of corporate issuance.

By early afternoon in New York the benchmark 30-year Treasury was off $\frac{1}{16}$ at 94$\frac{1}{16}$ to yield 7.101 per cent, while at the short end of the maturity spectrum the two-year note was unchanged at 99$\frac{31}{32}$ to yield 6.403 per cent. In Chicago the June 30-year bond future added $\frac{1}{32}$ at 107$\frac{1}{32}$.

Mr John Spinello, government securities strategist at Merrill Lynch, said there was not much residual effect from the tepid demand shown at Tuesday's auction of $8bn in inflation-linked ten-year notes. "The response was somewhat disappointing," he said, but the fact that there was little speculative participation would be healthy for the market in the long term.

Most of the issue was purchased by final investors such as pension funds that are likely to hold on to the bonds rather than trade them.

CAPITAL MARKETS DIGEST

Polska Telefonica plans yankee bond

A Polish mobile telephone operator is about to become the first European telecoms company to issue high-yielding bonds in the US domestic market for foreign issuers, known as yankee bonds. Polska Telefonica Cyfrowa, one of the two private companies awarded licences to offer GSM telephone services in February 1996, has been operating since September last year.

Its first foreign bond issue is likely to be launched during the summer. The proceeds, of around $150m, will help the company complete its network and finance expansion. They will also reduce the company's dependence on funding by its shareholders. PTC is expected to obtain credit ratings from foreign rating agencies before the launch. These ratings are likely to fall in the "speculative" range.

Salomon Brothers, which has been chosen as lead manager, would not comment on the bonds' pricing. But analysts said that existing debt by Poland Communications, a cable company, could be used as a reference. Poland Communications bonds are currently yielding roughly 350 basis points more than US Treasuries.

Samer Iskandar

Moody's downgrades SNCF

Moody's Investors Service, the US credit rating agency, has downgraded the debt of SNCF, the French national railway, in a move that affects more than $25bn of debt. The rating of senior long-term debt was lowered from Aaa to Aa1 while the Prime 1 rating of SNCF's commercial debt was maintained. Early SNCF debt was guaranteed by the French government and will retain its Aaa rating.

The decision reflects Moody's perception of institutional and structural changes affecting SNCF that could lead to changes in the company's relationship with the state. However, the rating agency pointed out that in spite of SNCF's reorganisation, which was approved by parliament on February 13, the French government remains committed to restoring the profitability of the company and backing its financial commitments.

Samer Iskandar

Liffe sees short-term rate rise

Short-term interest rates implied by the prices of futures contracts have shifted upwards in the past month, according to the London International Financial Futures and Options Exchange.

Liffe's short sterling contract, which reflects the market's expectation of the future level of three-month interest rates on sterling, is pricing-in a significant rise over the next three years. The March 2000 maturity of the contract implies an expected rate of 8 per cent. In the past four weeks, rate expectations have risen by about half a percentage point. The June 1998 future, which was implying a rate of just over 7 per cent a month ago, is now reflecting anticipations that sterling three-month rates will reach more than 7.50 per cent. *Samer Iskandar*

Medium-sized deals dominate activity

INTERNATIONAL BONDS

By Samer Iskandar

Primary activity resumed a lively pace yesterday, but remained dominated by medium-sized deals with relatively short maturities.

"Market sentiment seems to be improving," said an official at a North American bank. "We are starting to see buying of 2003-2005 maturities in the secondary market, but there is still a feeling that we remain in a bear phase."

Toyota launched the day's largest transaction, $775m of bonds backed by motor vehicle receivables. The three tranches, with credit ratings ranging from triple-A to triple-B, have an expected average life of 1.3 years and a final maturity of 4.4 years.

The issue was mainly placed with institutional investors.

Sigma Finance also launched an issue aimed at institutions. "It went extremely well," said Salomon Brothers, joint lead manager with SBC Warburg. "We have sold all our bonds."

It said the success was in large part attributable to pre-marketing by the lead managers and the borrower. "We had several one-on-one meetings with institutional investors, who responded very well to the issue."

Sigma is a financial company owned by a group of institutional investors. It raises funds on the capital markets to invest in securities offering higher returns. With capital of around $1bn, it manages more than $9bn of assets.

The Bank of China yesterday returned to the international capital markets after a four-year absence. Morgan Stanley, which led the $300m issue of floating-rate notes, said the transaction was "a blow-out". It said that although the deal had been priced towards the tighter end of the pricing range, the bonds rose slightly from their issue price of 99.80.

"This shows the comfort that investors have in China, and highlights the pre-eminent role that the bank has in the country," said a syndicate official.

The Chinese government owns the Bank of China, but does not guarantee its debt, which is rated Baa1 and BBB respectively by Moody's and Standard & Poor's, the US credit rating agencies.

Roughly half of the issue was sold to investors in Asia Pacific.

Crédit Local de France also tapped the dollar sector, with $200m of bonds with a maturity of slightly more than 5½ years.

CIBC Wood Gundy, the lead manager, said the coupon of 7 per cent made the deal particularly attractive to retail investors in Switzerland and the Benelux region.

SBC Jersey launched an issue of bonds exchangeable into a basket of European life science stocks comprising Roche, Novartis, Glaxo Wellcome, SmithKline Beecham and Zeneca, all carrying equal weightings.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
TARGT, 97-A, Class A(a)‡	723	(a1)	(a1)R	Apr 2002	0.185R	+31(6%Aug98)	CSFB/Lehman Brothers
Sigma Finance	400	7.00	99.82R	Apr 2002	0.25R	+18(6%Mar02)	Salomon/SBC Warburg
Bank of China(b)‡	300	(b1)	99.80R	Apr 2004	0.35R	-	Morgan Stanley & Co Intl
Deutsche Bank Finance(s)	250	6.50	99.75R	Dec 1999	0.15R	+10(6¼Mar99)	Deutsche Morgan Grenfell
Crédit Local de France(s)	200	7.00	99.77R	Dec 2002	0.275R	+19(6⅝Mar02)	CIBC Wood Gundy
SBC Jersey(c)§	200	1.75	94.375	Apr 2001	2.50	-	SBC Warburg
LVMH	200	6.75	99.86R	May 2000	0.20R	+12(5⅝Feb00)	BNP Cap Mkts/CSFB
City of New York(d)‡	50	(d1)	99.91R	Aug 2002	0.30R	-	Goldman Sachs Intl
■ D-MARKS							
BMW Australia Finance	200	4.875	99.62R	May 2002	0.25R	+12(8%Jan02)	Deutsche Morgan Grenfell
■ FRENCH FRANCS							
JFM	1bn	5.875	99.831R	May 2007	0.325R	+12(†)	IBJ France/Paribas
■ PESETAS							
KfW International Finance	10bn	5.75	100.61	Apr 2002	1.625	-	BSN/UBS
■ EUROS							
Carinvest(e,s)	60	5.50	101.25	Dec 2002	1.875	-	BIL
■ NEW ZEALAND DOLLARS							
World Bank	100	8.25	101.025	May 2000	1.60	-	Hambros Bank
■ AUSTRIAN SCHILLINGS							
Republic of Argentina(f)	1bn	7.00	98.825R	Mar 2004	0.825R	+183(5⅞%-04)	Creditanstalt-Bankverein

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Toyota Auto Receivables Grantor Trust. Monthly coupons. Average life: 1.3 yrs. Plus 2 days accrued. a1) Priced later. a2) Class B: $21m, 1.3 yrs, +48bp area. a3) Class C: $11m, 1.3 yrs, +65bp area. b) Callable from Apr 02 at par. b1) 6-mth Libor +37½bp. c) Exchangeable into basket of European life sciences stocks (Roche, Novartis, Glaxo Wellcome, SmithKline Beecham, Zeneca) at initial 20% premium. Callable from 30/4/99 at par. d) Fungible with $300m. Plus 86 days accrued. Amortises. d1) 3-mth Libor +25bp. e) Pays in Ecu prior to Emu. f) Fungible with Sch1.5bn. Plus 42 days accrued. † Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.8538	-0.120	7.98	8.14	7.68
Austria		5.625	01/07	98.6500	+0.520	5.81	5.94	5.59
Belgium		6.250	03/07	101.8000	+0.210	6.00	6.14	5.71
Canada *		7.000	12/06	101.3000	+0.420	6.81	6.78	6.31
Denmark		8.000	03/06	109.2000	+0.020	6.60	6.77	6.26
France	BTAN	4.750	03/02	102.8437	+0.120	4.78	4.92	4.40
	OAT	5.500	04/07	97.9300	+0.310	5.78	5.93	5.39
Germany Bund		6.000	01/07	100.7300	+0.100	5.89	6.01	5.59
Ireland		8.000	08/06	108.0100	+0.040	6.61	6.95	6.42
Italy		6.750	02/07	94.8000	+0.530	7.51†	7.89	7.17
Japan	No 143	6.300	09/01	120.4875	-0.110	1.40	1.42	1.37
	No 182	3.000	09/05	106.3387	-0.060	2.12	2.18	2.38
Netherlands		5.750	02/07	99.6200	+0.040	5.80	5.88	5.36
Portugal		9.500	02/06	117.7500	+0.350	6.77	7.09	6.70
Spain		7.350	03/07	103.4700	+0.150	6.85	7.25	6.77
Sweden		8.000	08/07	106.1543	+0.150	7.13	7.46	6.74
UK Gilts		7.000	06/02	98-27	+5/32	7.27	7.39	6.78
		7.250	12/07	97-14	+1/32	7.60	7.67	7.23
		9.000	10/08	109-28	+1/32	7.69	7.76	7.32
US Treasury *		6.250	02/07	95-16	+2/32	6.89	6.89	6.48
		6.625	02/27	94-06	+5/32	7.10	7.09	6.73
ECU (French Govt)		7.000	04/06	105.8200	+0.220	6.14	6.34	5.83

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.42
Prime rate	8½	Two month	-	Three year	6.55
Broker loan rate	7¼	Three month	5.24	Five year	6.74
Fed.funds	5½	Six month	5.56	10-year	6.87
Fed.funds at intervention	-	One year	5.95	30-year	7.08

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.34	128.60	+0.30	128.80	128.28	128,256	159,348
Sep	126.70	126.94	+0.28	127.10	126.70	793	4,695
Dec	96.34	96.60	+0.30	96.34	96.34	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
127	1.86	1.94	1.51	0.06	0.36	1.57
128	0.83	1.25	1.03	0.23	0.65	2.06
129	0.28	0.69	0.68	0.68	1.08	2.72
130	0.06	0.33	0.42	1.46	1.73	-
131	0.02	0.14	0.26	2.42	2.53	-

Est. vol. total, Calls 21,191 Puts 29,048. Previous day's open int., Calls 122,326 Puts 146,372.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.34	100.27	+0.05	100.66	100.16	215471	259093
Sep	99.30	99.27	+0.04	99.43	99.28	861	5517

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
10000	0.60	0.93	0.66	1.00	0.33	0.66	1.38	1.73
10050	0.33	0.65	0.48	0.79	0.56	0.88	1.71	2.02
10100	0.16	0.43	0.35	0.62	0.89	1.16	2.08	2.35

Est. vol. total, Calls 20363 Puts 27168. Previous day's open int., Calls 220013 Puts 258243

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.00	127.75	+0.71	128.08	126.58	92343	108598
Sep	127.45	127.74	+0.70	127.72	127.45	86	3194

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
12750	1.54	2.82	1.29	2.38
12800	1.25	2.33	1.50	2.59
12850	1.00	2.08	1.75	2.84

Est. vol. total, Calls 10709 Puts 10842. Previous day's open int., Calls 102632 Puts 107987

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.55	113.50	+0.12	113.73	113.20	102,882	76,308
Sep	-	112.68	-	-	-	-	3

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109-06	109-04	+0-01	109-16	108-31	50871	179271
Sep	-	108-31	+0-01	-	-	0	2722

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
109	0-40	1-13	1-32	2-01	0-32	1-05	1-34	2-03
110	0-15	0-48	1-03	1-36	1-07	1-40	2-05	2-38
111	0-05	0-28	0-43	1-12	1-61	2-20	2-45	3-14

Est. vol. total, Calls 2927 Puts 884. Previous day's open int., Calls 66311 Puts 32792

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.16	94.38	+0.28	94.48	94.12	1,067	6,189

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107-13	107-23	+0-10	107-25	107-10	287,813	430,735
Sep	107-08	107-09	+0-10	107-10	107-03	944	34,543
Dec	-	106-18	-	-	-	457	5,448

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	127.00	-	-	127.12	127.00	1834	n/a
Sep	125.73	-	-	125.78	125.73	157	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Apr 9	Day's change %	Tue Apr 8	Accrued interest	xd adj. ytd		Low coupon yield Apr 9	Low Apr 8	Low Yr. ago	Medium coupon yield Apr 9	Medium Apr 8	Medium Yr. ago	High coupon yield Apr 9	High Apr 8	High Yr. ago
1 Up to 5 years (19)	119.96	0.18	119.77	2.29	3.40	5 yrs	7.31	7.36	7.56	7.37	7.42	7.59	7.40	7.45	7.69
2 5-15 years (21)	148.82	0.10	148.99	2.80	2.89	15 yrs	7.75	7.73	8.24	7.75	7.75	8.25	7.83	7.85	8.36
3 Over 15 years (6)	168.72	-0.06	168.82	4.54	3.46	20 yrs	7.82	7.81	8.31	7.78	7.79	8.30	7.84	7.86	[illegible]
4 Irredeemables (5)	193.65	0.17	193.32	6.81	2.37	Irred.†	7.87	7.89	8.35						
5 All stocks (51)	143.33	0.11	143.31	2.96	3.21										

Index-linked	Wed Apr 9	Day's change %	Tue Apr 8	Accrued interest	xd adj. ytd		Inflation 5% Apr 9	Inflation 5% Apr 8	Inflation 5% Yr. ago	Inflation 10% Apr 9	Inflation 10% Apr 8	Inflation 10% Yr. ago
6 Up to 5 years (2)	203.71	0.00	203.71	0.89	2.16	Up to 5 yrs	3.35	3.34	3.01	2.65	2.64	1.71
7 Over 5 years (10)	194.82	-0.10	194.82	1.21	2.18	Over 5 yrs	3.65	3.64	3.74	3.45	3.44	3.55
8 All stocks (12)	194.52	-0.09	194.70	1.16	2.16							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Apr 9	Apr 8	Apr 7	Apr 4	Apr 3	Yr ago	High*	Low*
Govt. Secs. (UK)	93.83	93.80	93.65	93.41	93.40	92.45	96.62	93.31
Fixed Interest	116.61	116.62	116.50	116.34	117.10	111.67	120.18	115.32

Gilt Edged Activity Indices

	Apr 8	Apr 7	Apr 4	Apr 3	Apr 2
Gilt Edged bargains	NA	20.5	27.4	47.9	53.9
5-day average	NA	37.4	45.8	65.6	76.6

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

FINANCIAL TIMES WEEKEND APRIL 26/APRIL 27 1997 ★

CURRENCIES AND MONEY

Dollar touches fresh highs

MARKETS REPORT

By Simon Kuper

The dollar touched a three-year high against the D-Mark and a 56-month peak against the yen yesterday.

The currency continued to gain from the belief that US interest rates would rise again soon and that European leaders had become more committed to European monetary union.

In late US trading the dollar stood at DM1.725 and Y126.8, which was 1.4 pfennigs and Y0.6 above Tuesday's London closing levels. Sterling also rose 1.4 pfennigs against the D-Mark in London yesterday to close at DM2.791.

■ Once he was so powerful in the currency markets that he was known as "Mr Yen". But Mr Eisuke Sakakibara, director general of the Japanese finance ministry's international finance bureau, may be losing his bite.

Yesterday he again warned that Japan might intervene to support the yen if exchange rates moved out of line with economic fundamentals. Again the market paid him little notice.

Mr Sakakibara's problem may be that he has cried wolf too often. Mr Michael Burke, senior economist at Citibank in London, said traders had begun ignoring Tokyo appeals for a weaker yen. "The market will take the view that unless or until Japan is willing to do something about the yen, the talk is all hot air," he said.

To "do something" about the falling yen, Tokyo would have to raise interest rates or intervene in the forex market. Rates are unlikely to rise, currency strategists say, as Japan's economic recovery is fragile. So given that Japan has amassed a pile of dollars after almost two years of selling the yen, why does it not dispose of those dollars now?

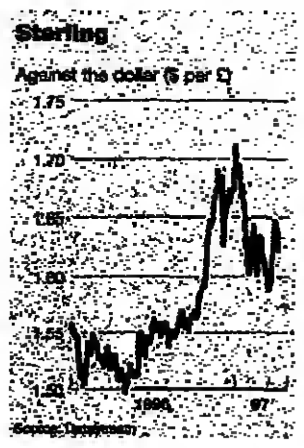
Mr Steven Englander, international economist at Smith Barney in Paris, said "there was very little question" but that Japan would start selling dollars soon. However, he added: "What they might do is to wait until the market is a little bit tired of the dollar and then come in with intervention, jointly with the US."

Only with US support would intervention be credible, Mr Englander said. However, US officials have recently suggested that even though they want Japan's trade surplus to fall, they still support a strong dollar. Mr Robert Rubin, US treasury secretary, yesterday repeated that he had not discussed exchange rates on his recent visit to Tokyo. He said that if Japanese officials were trying to cap the dollar, "they didn't discuss it with us".

Mr Burke said the view in Washington was that a strong dollar boosted effective national income. For now, currency strategists believe, the dollar may be safe from Mr Yen.

■ Pound in New York

Apr 9	— Latest —	— Prev. close —
£ spot	1.6215	1.6255
1 mth	1.6206	1.6248
3 mth	1.6192	1.6231
1 yr	1.6227	1.6160



■ The money markets yesterday revised down their expectations of UK interest rate rises. Short sterling interest rate futures for December rose 6 basis points, to price in base rates of about 7 per cent, compared with 6 per cent today.

The spur for the move was weak UK industrial production figures for February, even though these were hit largely by warm weather. Mr Peter Ostler, head of research at GNI in London, said: "It would be hard to look at the figures and say they justify a rally in short sterling." But he said traders had been seeking an excuse to buy short sterling contracts.

■ OTHER CURRENCIES

Apr 9	£	$
Czech Rp	47.8629 - 47.9411	29.4940 - 29.5240
Hungary	292.007 - 292.288	179.940 - 179.990
Iran	4871.40 - 4868.40	3000.00 - 3000.00
Kuwait	0.4895 - 0.4941	0.3041 - 0.3043
Poland	5.0420 - 5.0500	3.1070 - 3.1100
Russia	9316.49 - 9323.86	5741.00 - 5742.00
U.A.E.	5.9573 - 5.9658	3.6710 - 3.6740

■ Sterling rises, but the Irish punt does not. The punt is now almost 5 per cent weaker than the pound, at I£1.048, when until recently the two virtually traded one-for-one.

The punt's relative decline has relieved those with a stake in the European exchange rate mechanism. Weeks ago the currency was threatening the top of its 15 per cent fluctuation band within the ERM. Now it has fallen from 12 per cent above its central parity against the ERM's weakest currency, to just 10.8 per cent above.

Why has the punt slipped, given sterling's rise? European central banks have sold punts, and Ireland has left interest rates on hold despite its economic boom. Mr Chris Turner, currency strategist at BZW in London, said Ireland was risking inflation in order to avoid having to revalue the punt and join Emu at an uncompetitive exchange rate.

WORLD INTEREST RATES

MONEY RATES

April 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3¼	3¼	3½	6.00	2.50	-
France	3¼	3¼	3¼	3⅜	3¾	3.10	-	4.75
Germany	3¼	3⅛	3¼	3⅜	3¼	4.50	2.50	3.00
Ireland	5½	5⅞	5¾	5¾	5⅞	-	-	6.25
Italy	7¼	7¼	7¼	7	6⅞	8.25	6.75	7.34
Netherlands	3⅛	3⅛	3¼	3⅜	3½	-	3.00	3.30
Switzerland	1¼	1⅜	1⅝	1⅝	1⅝	-	1.00	-
US	5¼	5⅝	5¾	6¼	6⅜	-	5.00	-
Japan	⅜	½	⅝	⅝	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅞	6	6⅜	-	-	-
US Dollar CDs	-	5.48	5.56	5.72	6.08	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3⅜	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜
Danish Krone	3⅜ - 3¼	3⅜ - 3⅜	3⅜ - 3⅜	3⅝ - 3½	3⅞ - 3¾	4⅛ - 3⅞
German Mark	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½
Dutch Guilder	3¼ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅜	3⅜ - 3⅜	3⅝ - 3⅝
French Franc	3⅛ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅜	3⅜ - 3¼	3⅞ - 3⅝
Portuguese Esc.	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6⅛	6⅛ - 5⅞	5⅞ - 5¾	5⅞ - 5¾
Spanish Peseta	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾	5½ - 5⅜	5½ - 5⅜
Sterling	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6⅜ - 6¼	6⅝ - 6½	6⅞ - 6¾
Swiss Franc	1½ - 1	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	2 - 1⅞	2⅛ - 1⅞
Canadian Dollar	3 - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3½ - 3⅜	3⅞ - 3¾	4⅜ - 4¼
US Dollar	5⅛ - 5⅛	5⅝ - 5½	5⅝ - 5⅝	5⅞ - 5⅞	6¼ - 6⅛	6⅝ - 6½
Italian Lira	7¾ - 6⅞	7¼ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 6⅞	6⅞ - 6¾
Japanese Yen	½ - ⅛	⅝ - ½	½ - ⅜	⅝ - ½	⅝ - ½	⅞ - ½
Asian $Sing	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.68	96.68	-	96.69	96.67	10,624	60,760
Sep	96.60	96.59	-0.01	96.60	96.58	4,842	47,756
Dec	96.48	96.48	-	96.49	96.46	464	31,728

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.75	96.73	-0.01	96.75	96.73	21855	231501
Sep	96.68	96.67	-0.01	96.69	96.66	33716	188527
Dec	96.52	96.52	-	96.54	96.49	27755	210147
Mar	96.35	96.35	-	96.38	96.33	16021	157888

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.78	96.78	-	96.78	96.79	1	7324
May	-	96.78	-	-	-	0	3926
Jun	-	96.78	-	-	-	0	626
Jul	-	96.77	-	-	-	0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.03	93.07	+0.04	93.12	92.92	35826	109396
Sep	93.34	93.46	+0.07	93.52	93.31	24829	67404
Dec	93.45	93.56	+0.09	93.64	93.42	14141	41870
Mar	93.43	93.59	+0.10	93.63	93.42	4120	25789

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.05	97.97	-0.10	98.05	97.94	32866	48155
Sep	98.02	97.94	-0.09	98.02	97.90	23813	23501
Dec	97.85	97.78	-0.09	97.85	97.73	7073	19741
Mar	97.85	97.66	-0.07	97.88	97.81	2177	8186

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.39	99.39	-	99.39	99.39	1	n/a
Sep	-	99.28	-	-	-	0	n/a
Dec	-	99.12	-	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.85	95.86	-	95.89	95.84	945	8825
Sep	95.78	95.81	+0.01	95.83	95.78	484	4877
Dec	95.68	95.72	+0.02	95.75	95.66	421	5295
Mar	95.59	95.62	+0.02	95.65	95.59	496	3778

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9300	0.28	0.88	0.84	0.21	0.22	0.26
9325	0.15	0.50	0.67	0.33	0.29	0.34
9350	0.07	0.35	0.52	0.50	0.39	0.44

Est. vol. total, Calls 6049 Puts 746. Previous day's open int., Calls 148429 Puts 62572

POUND SPOT FORWARD AGAINST THE POUND

Apr 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6469	+0.0979	365 - 572	19.6715	19.5905	19.6034	2.7	19.5469	2.0	-	-	103.5
Belgium	(BFr)	57.5888	+0.2498	607 - 124	57.6630	57.3880	57.4616	2.6	57.2016	2.7	55.8768	3.0	103.2
Denmark	(DKr)	10.6334	+0.0481	285 - 383	10.6471	10.6036	10.6114	2.5	10.5679	2.6	10.3579	2.6	105.7
Finland	(FM)	8.3325	+0.0396	238 - 411	8.3420	8.3150	-	-	-	-	-	-	83.1
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.1031	+0.0607	004 - 057	12.1285	12.0405	12.0884	1.5	12.0431	2.0	11.8481	2.1	103.3
Belgium	(BFr)	35.4750	+0.155	700 - 800	35.5400	35.2950	35.415	2.0	35.2675	2.1	34.7475	2.1	103.3
Denmark	(DKr)	6.5505	+0.0299	495 - 515	6.5697	6.5154	6.5419	1.6	6.5252	1.7	6.4415	1.7	105.2
Finland	(FM)	5.1331	+0.0248	298 - 368	5.1424	5.1105	5.1243	2.1	5.1058	2.1	5.0231	2.1	82.8
France	(FFr)	5.7865	+0.0286	855 - 875	5.8000	5.7585	5.7758	2.2	5.7548	2.2	5.6465	2.4	106.0
[illegible]													

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 9	BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
[illegible]																	

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5861	0.5846	-0.0019	0.5872	0.5840	24,135	78,507
Sep	0.5885	0.5868	-0.0014	0.5868	0.5864	246	2,546
Dec	-	0.5946	-	-	-	1	207

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6836	0.6830	-0.0011	0.6853	0.6814	18,157	43,890
Sep	0.6896	0.6903	-0.0006	0.6903	0.6896	129	2,076
Dec	-	0.6960	-0.0006	-	0.6960	119	376

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7997	0.7981	-0.0022	0.8012	0.7956	20,065	77,938
Sep	0.8085	0.8081	-0.0022	0.8085	0.8089	140	1,200
Dec	0.8200	0.8200	-0.0029	0.8200	0.8200	19	554

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6248	1.6214	-0.0036	1.6258	1.6196	5,917	35,487
Sep	1.6200	1.6200	-0.0020	1.6210	1.6200	11	834
Dec	-	1.6160	-0.0030	-	1.6160	11	101

UK INTEREST RATES

LONDON MONEY RATES

Apr 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 3	6⅛ - 5⅞	6⅛ - 6	6½ - 6⅜	6¾ - 6⅝	7⅛ - 6⅞
Sterling CDs	-	-	6⅛ - 6⅛	6⅜ - 6⅜	6⅝ - 6⅝	6⅞ - 6⅞
Treasury Bills	-	-	6⅛ - 5⅞	6⅜ - 6⅜	-	-
Bank Bills	-	-	6⅛ - 5⅞	6¼ - 6⅛	6⅜ - 6⅜	-
Local authority deps.	6 - 5⅞	6 - 5⅞	6⅛ - 6	6⅜ - 6⅜	6⅝ - 6⅝	6⅞ - 6⅞
Discount Market deps	6⅛ - 5⅞	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Apr 4, 6.0614pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 25, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997, Schemes IV & V 6.262pc. Finance House Base Rate 6½pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.35	93.37	+0.04	93.40	93.34	20848	122227
Sep	93.04	93.08	+0.04	93.13	93.03	27692	90214
Dec	92.81	92.86	+0.06	92.90	92.78	27404	73221
Mar	92.65	92.70	+0.05	92.75	92.63	9522	48843
Jun	92.53	92.59	+0.05	92.63	92.53	4537	40616

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.20	0.12	0.13	0.08	0.29	0.52
9350	0.06	0.05	0.06	0.16	0.47	0.70
9375	0.01	0.02	0.03	0.39	0.69	0.92

Est. vol. total, Calls 5120 Puts 5348. Previous day's open int., Calls 158362 Puts 158956

EMS EUROPEAN CURRENCY UNIT RATES

Apr 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	196.553	+0.046	-0.43	2.54	3
Finland	5.85424	5.85802	+0.01593	0.06	2.04	-0
Ireland	0.796709	0.737262	-0.000919	-7.69	10.61	52
Spain	163.826	165.469	+0.028	1.00	1.09	-7
Italy	1906.48	1932.81	-1.34	1.38	0.71	-10
Netherlands	2.16979	2.20427	+0.00159	1.59	0.51	-12
Denmark	7.34555	7.46528	+0.00313	1.63	0.47	-11
Germany	1.92573	1.95984	+0.00115	1.78	0.32	-12
Belgium	39.7191	40.4347	+0.0222	1.80	0.30	-13
Austria	13.5485	13.7955	+0.008	1.82	0.28	-13
France	6.45863	6.59457	+0.00359	2.10	0.00	-19
NON ERM MEMBERS						
Greece	295.269	308.489	+0.041	4.48	-2.27	-
UK	0.793103	0.702743	-0.002058	-11.39	15.23	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.630	0.31	1.44	2.04	0.63	1.84	2.51
1.640	0.11	1.04	1.62	1.37	2.44	3.04
1.650	0.02	0.73	1.27	2.28	3.07	-

Previous day's vol., Calls 3,395 Puts 2,105 . Prev. day's open int., Calls 31,701 Puts 33,785

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
0.595	0.01	0.34	0.56	1.11	1.32	1.46
0.600	-	0.21	0.41	1.61	1.70	1.80
0.605	-	0.14	0.30	-	-	2.21

Previous day's vol., Calls 1,741 Puts 1,101 . Prev. day's open int., Calls 29,862 Puts 40,322

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.03	94.04	+0.01	94.04	94.03	45,868	505,218
Sep	93.72	93.74	+0.02	93.75	93.71	51,281	394,738
Dec	93.42	93.45	+0.03	93.45	93.42	49,534	278,720

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.61	94.61	-	94.61	94.61	29	6,896
Sep	94.31	94.32	+0.02	94.32	94.31	45	3,419
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9650	0.23	0.23	0.23	0.21	0	0	0	0.04
9675	0.01	0.02	0.04	0.05	0.03	0.04	0.06	0.13
9700	0	0	0	0.01	0.27	0.27	0.27	0.34

Est. vol. total, Calls 14398 Puts 18867. Previous day's open int., Calls 438887 Puts 244755

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9800	0.12	0.18	0.22	0.15	0.24	0.44
9825	0.03	0.08	0.12	0.31	0.39	0.59

Est. vol. total, Calls 60 Puts 60. Previous day's open int., Calls 1925 Puts 1480

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	•Singer & Friedlander	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	•Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
•Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	• Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		•Rea Brothers	6.00		

COMMODITIES AND AGRICULTURE

Palladium soars on technical squeeze

By Kenneth Gooding, Mining Correspondent

The palladium market is in the grip of a vicious technical squeeze that has sent the cost of metal for immediate delivery soaring.

Palladium, an essential material in some automotive exhaust catalysts and components for electronic equipment, closed in London yesterdey np another $5.25 a troy ounce at $159.25, the highest for nearly two years. The price has climbed by more than 7 per cent, from $148.50 an ounce, this week.

Dealers say the cost of borrowing palladium for one month has also jumped in the past 48 hours, from 6 per cent to 10 per cent. They suggest the root of the problem is that Russia, the biggest palladium producer, has exported virtually none of the metal so far this year.

According to Mr Colin Griffith at Standard Bank, the South African group, liquidity in the palladium market has dried up because early this year some organisations continued to take orders for metal that did not arrive. More recently, some speculators have been betting that Russian exports would start again and sold palladium they did not have in the expectation they could buy it later at a lower price and pocket the profit.

"Some of these shorts have become quite panicky," he said.

Mr Keith Green, operations director, platinum, for Johnson Matthey, the world's biggest platinum group metals marketing company, said Russian exports had been delayed "for a surprisingly long time".

Initially the delay was caused by bureaucratic problems, he said, but now there were niggling doubts about the Russians having other motives for withholding the metal. "But we have no doubt at all that Russia needs the money."

He said demand for palladium remained strong and was coming from makers of automotive catalysts – now the biggest user of the metal. Palladium is also an essential raw material in most multilayer ceramic capacitors used in equipment such as mobile telephones and computers.

Unfortunately for other producers, Russia has easily matched the dramatic increase in demand from the electronics industry in recent years. JM estimates Russia exported 3.8m troy ounces of palladium to the west in 1996, down from a record 4.2m in 1995.

Russia has been drawing heavily on its stocks to meet this demand but JM suggests those stocks are big enough to keep the western market supplied well into the next century.

JM estimates that global palladium demand last year was virtually unchanged from the 1995 level at 5.11m ounces.

Big inventories put pulp price rise in doubt

Conflicting signals have left investors and analysts confused

Depending on whom you talk to, wood pulp prices are either heading upwards, downwards, or are set to hold steady over the coming months.

Having see-sawed wildly over the past three years, pulp prices have become a forecaster's nightmare. Conflicting signals emanating from the industry have left investors and analysts confused as they try to gauge the forward earnings of big producers.

Uncertainty centres on recent price rises announced by several leading North American and Scandinavian suppliers, including Georgia-Pacific of the US and Enso of Finland, from the current list price of $520 a tonne to $580 a tonne.

Opinion differs widely in the market over whether the increases – due to take effect in May – will be fully implemented. Some analyste believe they will prove impossible to drive through in full because of patchy demand and the high inventory levels prevailing in the industry.

Indeed, prices are thought still to be under pressure, with *transactions taking* place as low as $500 a tonne, well below the list price, according to some industry insiders.

Pulp prices have been heading downwards since last summer. The principal cause of the decline – from some $580 a tonne for Northern Bleached Softwood Kraft (NBSK), the industry benchmark, to $520 a tonne – has been a strong increase in pulp stocks.

Inventories, generally reckoned to be in equilibrium at 1.5m tonnes, have risen to 2.1m tonnes. Prices have softened as supply has outstripped demand.

Nordic prodncers, which have cnt production by around 10 per cent in the past four months, blame North American groups for fuelling the problem by failing to curb their output.

US and Canadian plants have been running at full throttle througbont the northern hemisphere winter, swelling the NBSK surplus, although some have announced plans to take downtime this spring.

This, coupled with an expected seasonal decrease in stocks in March and April, has stirred hopes of higher prices, especially as current levels are below prodnction costs for most suppliers.

"The pressure is of course tremendous on producers to get the price on the right side of the production cost, but opinions are split on whether they can succeed," said Mr Anders Lindeberg, president of the Finnish Futures and Options Exchange, which launched trading in pulp derivatives this year.

Mr Jyrki Yrjo-Koskinen, marketing director of Metsä-Botnia, the Finnish pulp producer, forecast prices would rise in May or June but cautioned that increases would not stick unless inventories were reduced.

"If inventories do not fall to low or ecceptable levels, we could get a repeat of last year [when a rise in prices was sharply reversed]," he said.

Like several large Scandinavian suppliers, Metsä is awaiting the imminent publication of inventory figures for March before deciding whether to raise prices.

The March figures will be a key guide to future price trends. Bearish eentiment could return unless stocks fall by at least 100,000 tonnes, analysts say.

In London yesterday analysts were dismissive of the notion thet international pulp prices could be forced *higher. "There's a lot of hot* air being talked about it," said one, adding "the shipment to inventory ratio is quite good, certainly not enough to dent the market'a current equilibrium.

"Certainly, there was some buying by the Chinese in March, price-scavenging at the bottom of the market. That took stocks down to about 1.7m tonnes – but tbat'e atill comfortably above the level where prices could he forced to rise, at 1.5m tonnes. This is all about the Swedes and Finns trying to stop pulp prices falling further."

At Merrill Lynch in London, Mr Alistair Irvine, a leading paper and packaging analyst, said a key problem facing Scandinavian producers is "their total inability to manage demand".

At Goldman Sachs, Mr Håkan Ostling, who covers the same sector, was equally blunt: "We regard the pulp price hike under way for May 1 as premature... if inventories remain high at the onset of the normally slower summer, this new attempt is likely to prove yet another false start, and may delay the real upswing."

Analysts concurred that, as one put it: "The Scandinavians have been trying to talk up prices to $620 a tonne since last October, but we're *currently quoting it at $520.* They *need* to get prices up as they're only just covering their prodnction costs, but right now it's a buyer's market and looks like staying that way."

Goldman Sachs, in a report last month, predicted pulp prices would reach bottom during the second quarter, with a gradual improvement during the rest of the year and an increase to $700 *a tonne by the end of 1998.*

Greg McIvor and Gary Mead

Inventories have reached 2.1m tonnes and prices have fallen

Rally in oil reversed in late trading

MARKETS REPORT

By Robert Corzine, Gary Mead and Kenneth Gooding

Oil prices rallied briefly yesterday on modestly bullish reports of declining gasoline inventory levels in the US in the run-up to the spring and summer driving seaeons, wben gaeoline demand is at its highest.

Figures from the US government's Energy Information Administration showed that gasoline stocks at the end of last week had fallen by 1.2m barrels.

The price of Brent Blend for May delivery climbed 40 cents to $18.34 a barrel at one stage in afternoon trading on London's International Petroleum Exchange. However, the early gains were erased in late trading as Brent fell to around $17.80 a barrel, 14 cents down on Tuesday'e close.

Although the gasoline figures were seen by traders as relatively bullish, the latest data on overall inventories showed only a small decline of 200,000 barrels in US crude oil stocks.

The monthly oil market report published earlier this week by the International Energy Agency, the Paris-based organisation that monitors world oil markets, said recent output increases came from both members of the Organisation of Petroleum Exporting Countries and non-Opec producers.

The latter boosted output by 400,000 barrels a day in March, while Opec production rose 80,000 b/d. But the IEA noted that Opec output has been above 27m b/d for the first quarter of the year, well above the group's widely ignored production ceiling of just over 25m b/d.

Trading in cocoa futures was sluggish on the London International Financial Fntures Exchange. May cocoa gained £5 early in the day to £977 a tonne while the July contract put on £7 to £994.

However, that small increase proved fragile and by the close of business May was down £2 on the day at £970. Market sentiment, nevertheless, was that a bottom might have been reached, with the medium term favouring further recovery.

Robusta coffee dealing in London had an equally dilatory start, although that proved deceptive. The May benchmark in London was initially down by $14 to $1,556 a tonne, but trading in New York saw May futures gain 7.25 cents to $1.86 a pound by midday, provoking a revival in London, where the closing price was $15 higher at $1,585.

On the London Metal Exchange nickel was the only metal to make a significant gain. Traders said this was caused by rumours that production problems at WMC, the Australian group, were worse than expected. WMC reported last week that part of the furnace roof collapsed at its Kalgoorlie nickel smelter and it expected a 80-day closure.

Nickel for delivery in three months on the LME rose by 2.1 per cent to $7,470 a tonne. In thin trading conditions most other LME prices held up and three-month copper closed $104 a tonne higher at $2,309.

Mr Larry Kaplan, analyst at the Flemings Global Mining Group, said recent selling by investment funds was possibly related to their need to raise cash for margin calls following weakness in equity markets. "Whether this is true or not, base metals have been oversold on fundamentals."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1554.5-55.5	1589-90
Previous	1547.5-48.5	1582-83
High/low		1597/1585
AM Official	1550.5-51.0	1585-86
Kerb close		1592-93
Open int.	269,616	
Total daily turnover	66,344	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1445-50	1475-80
Previous	1440-45	1470-74
High/low		1475/1473
AM Official	1440-45	1472-73
Kerb close		1475-80
Open int.	5,804	
Total daily turnover	1,455	

■ LEAD ($ per tonne)

Close	647-49	650-51
Previous	648.5-9.5	650.5-1.5
High/low	647	660-650
AM Official	646-47	651-52
Kerb close		651-52
Open int.	39,832	
Total daily turnover	10,831	

■ NICKEL ($ per tonne)

Close	7350-60	7460-70
Previous	7195-205	7310-15
High/low		7500/7325
AM Official	7295-300	7410-15
Kerb close		7485-90
Open int.	53,184	
Total daily turnover	16,481	

■ TIN ($ per tonne)

Close	5740-60	5770-75
Previous	5710-20	5745-50
High/low		5790/5725
AM Official	5745-46	5780-85
Kerb close		5760-65
Open int.	17,031	
Total daily turnover	4,428	

■ ZINC, special high grade ($ per tonne)

Close	1239.5-40.5	1264.5-65.0
Previous	1232-33	1256.5-57.5
High/low	1239.5	1270/1257
AM Official	1239.5-40.0	1263-64
Kerb close		1265-66
Open int.	88,050	
Total daily turnover	31,840	

■ COPPER, grade A ($ per tonne)

Close	2357-59	2308-09
Previous	2338-39	2293-94
High/low	2358	2315/2296
AM Official	2355-56	2306-07
Kerb close		2307-08
Open int.	137,019	
Total daily turnover	39,685	

■ LME AM Official £/$ rate: 1.6228
LME Closing £/$ rate: 1.6230

Spot: 1.6215 3 mths: 1.6192 6 mths: 1.6165 9 mths: 1.6141

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	109.00	+0.55	109.50	108.30	313	3,093
May	107.85	+0.75	108.20	106.80	4,159	20,817
Jun	106.70	+0.75	107.00	106.70	64	1,568
Jul	105.65	+0.70	106.20	105.00	782	8,838
Aug	104.65	+0.45	104.70	104.70	13	759
Sep	103.55	+0.50	104.00	102.90	219	4,219
Total					8,776	50,335

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	348.05-348.55		
Opening	347.90-348.30		
Morning fix	348.00	214.307	512.708
Afternoon fix	347.80	214.202	512.657
Day's High	348.00-348.40		
Day's Low	347.20-347.60		
Previous close	348.30-348.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.53	6 months	4.52
2 months	4.52	12 months	4.54
3 months	4.52		

Silver Fix	p/troy oz.	US cts equiv.
Spot	293.65	477.00
3 months	297.75	483.05
6 months	302.30	489.70
1 year	311.20	502.85

Gold Coins	$ price	£ equiv.
Krugerrand	347-349	214-215
Maple Leaf	-	-
New Sovereign	81-84	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	346.0	-0.6	348.7	347.2	120	554
May	348.8	-0.8	-	-	-	-
Jun	350.4	-0.8	351.5	349.0	14,884	64,026
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	96.50	+0.60	96.65	97.50	275	2,428
Jul	101.50	+0.75	101.85	100.75	285	1,216
Sep	97.85	+0.35	-	-	-	46

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LIFFE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LIFFE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point) [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	972	-	980	962	2,077	21,682
Jul	980	+3	1007	980	2,383	18,102
Sep	1007	+7	1019	997	747	11,798

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LIFFE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LIFFE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	68.525	+1.350	68.625	67.600	4,920	14,406
Jun	64.200	+0.875	64.600	63.550	7,225	36,288
Aug	64.200	+0.575	64.350	63.750	2,517	23,787

[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

[illegible]

VOLUME DATA

[illegible]

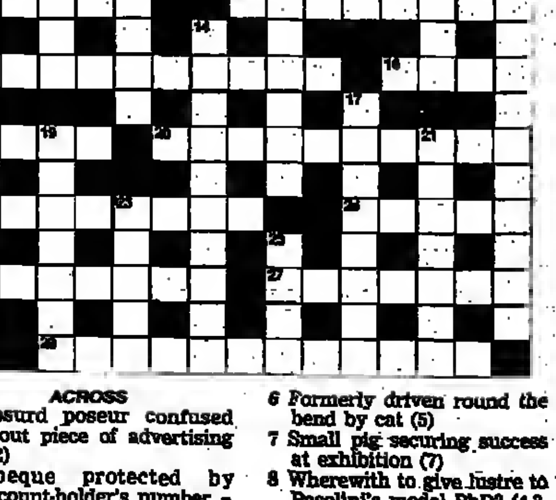
INDICES

[illegible]

JOTTER PAD

CROSSWORD

No.9,345 Set by DOGBERRY



ACROSS

1 Absurd poseur confused about piece of advertising (12)
10 Cheque protected by account-holder's number – it's not been forged (3-4)
11 Box-keeper ferries gunners (7)
12 Clock large number during row (5)
13 Particular about non-clerical records gaining clerk's heart (8)
15 Antony sang to such beastly females (5-5)
16 A long time in the village smithy (4)
18 Mail office (4)
20 Make poor deliveries in naughty surrounds (10)
22 Plaintiff'e dressing holds a tool back (8)
24 Bird with head covered? (5)
26 Because the regiment'e honest (7)
27 Almost delicate arrangement of the estuary (7)
28 Look! Minnow's head, fed to eel, gets fed to business group (13)

DOWN

2 Diet excluding usual starter – meringue pie (7)
3 Shows fish getting left over (8)
4 Plunge into basin (4)
5 Former stance at beginning of sonata (10)
6 Formerly driven round the bend by cat (5)
7 Small pig securing success at exhibition (7)
8 Wherewith to give lustre to Pasolini's model PhD? (4-3-6)
9 Rings round – is subsequently in charge of exercise (13)
14 Sign of habitual flogging that's for everybody's good? (10)
17 Tradesperson imbibing science makes kettle cleaner (8)
19 Evil thus absorbing a healthy colour (7)
21 Compiler's machinery for boosting bust (7)
23 Inexperienced soldiers in the news (5)
25 How to address lady losing head to man (4)

Solution 9,344

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Rothschild Asset Management - Contd.

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd

Odey Asset Management Ltd

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L-2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Selling Price	Buying Price	+ or -	Yield Gr's
Global Gas Portfolio	$3.871		+0.013	–
United States Portfolio	$5.871		+0.022	–
Cont'l Europe Portfolio	DM7.671		+0.036	–
Japan Portfolio	¥0.555		+0.005	–
Pacific Portfolio	$6.334		+0.004	–
Gold Portfolio	$5.687		+0.003	–
UK Growth of Income	£2.227		+0.003	3.61
Dollar Portfolio	$1.847		—	7.03
Sterling Portfolio	$1.034		+0.001	6.30

Aetna Master Fund (u) (x)
21 avenue de la Liberte, L-1931, Lux US 352 2264 941

	Selling Price	Buying Price	+ or -	Yield Gr's
Australasian NAV	A$17.18		+0.18	–
Austrian Bnd NAV	Sch67.25		-0.10	–
Belgo/Lux NAV	BFr893.48		-1.38	–
Dutch Nat NAV	Dfl47.32		-0.03	–
French Nat NAV	FFr140.67		+0.75	–
German Nat NAV	DM21.19		+0.09	–
Hongkong NAV	HK$125.00		+1.00	–
Italian Nat NAV	L13982		+4	–
Japanese NAV	Y1159		-5	–
Spanish NAV	Pta1521		+2	–
UK Nat NAV	£11.69		-0.01	–
United States Dlr Res	$11.14		—	–

Prices quoted are "A" shares

American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 00 352 404646211

	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Ptfolio	Ecu21.70		+0.14	–
European Multinational Ptfolio	$24.00		+0.12	–
European Multinational Ptfolio	£15.21		+0.04	–
European Multinational Ptfolio	L41541		+327	–
European Multinational Ptfolio	DM42.39		+0.24	–
Global Multinational Ptfolio	Ecu19.78		+0.18	–
Global Multinational Ptfolio	$22.40		+0.14	–
Global Multinational Ptfolio	$13.85		+0.07	–

Fleming Group - Contd.

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
FFF European		DM43.58	46.10	+0.32	–
FFF European Smlr Cos F		DM26.18	27.71	+0.12	–
FFF Global Conv F		$17.78	18.80	+0.01	–
FFF India H		$9.70	10.26	+0.24	–
FFF Intl Bond F		$13.32	14.09	-0.05	–
FFF Intl Equity F		[illegible]	81.42	-0.02	–
FFF Japanese		$13.61	14.39	-0.28	–
FFF Japanese Smlr Cos F		$5.29	5.59	-0.06	–
FFF Latin American		$13.62	14.40	-0.05	–
FFF Pacific		$21.58	22.84	+0.39	–
FFF Sterling Bond		£1.056	1.128	+0.002	7.50
FFF UK Enterprise		£5.53	5.85	+0.03	–
FFF US Discovery		$41.82	43.82	-0.01	–

Fleming Flagship Series B (Daily Dealing)

	Selling Price	Buying Price	+ or -	Yield Gr's
DM Class F	DM12.448		+0.001	2.90
FFr Class F	FFr84.298		+0.005	2.80
ITL Class F	L22181		+4.000	6.73
£ Class F	£5.237		—	5.66
US$ Class F	$12.065		+0.002	5.17

Genis Fund Sicav
International Equity F... 5 CE $0.131 10.6944 — –

Foreign & Colonial Emerging Markets Ltd (u)
Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234

F&C Emerging Markets

	Selling Price	Buying Price	+ or -	Yield Gr's
Argentinian Inv Co F	$29.64		-0.13	–
Brazilian Inv Co SICAV F	$52.48		-0.32	–
Global Emerging Mkts Inv Co SICAV F	$10.72		+0.02	–
Latin Amer Inv Co SICAV F	$12.20		-0.05	–
Mexican Inv Co SICAV F	$24.67		-0.10	–

Foreign & Colonial Portfolios Fd Sicav (u)
33 Boulevard Prince Henri, L-1724 Lux 00 352 2296 511

	Selling Price	Buying Price	+ or -	Yield Gr's
Asia Smlr Cos Eq F	$37.44		+0.04	–
Japanese Smlr Cos Eq F	Y803.00		-0.09	–
European Smlr Cos Eq F	Ecu17.19		-0.05	–
Emerging Asian Eq F	$22.39		+0.21	–
Sterling Beta F	$10.01			–

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
Dealer Managed Funds				
£ OFS Global Port	$1.565	1.498	—	-
£ YRA Worldwide	$7.383	1.379	—	-
£ YRA Ofs Worldwide	$1.472	1.583	—	-
Young & Co Disco P'folio	$1.273	1.388	—	-
Pioneer Mid Term Agg	$1.162	1.350	—	-
Pioneer Long Term Cons	$1.142	1.228	—	-
Pioneer Long Term Agg.	$0.890	1.022	—	-
HFP Selective Mgd	$1.228	1.311	—	-
Old Mutual International (Ireland) Ltd				
PO Box 121, St Peter Port, Guernsey 01481 726726				
Emerging Markets Bond	$1.370	1.473	—	-
US$ Emerging Stockmarket	$0.928	0.997	—	-
US$ European Stockmarket	$1.806	1.494	—	-
DEM European Stockmarket	DM1.597	1.718	—	-
US$ Managed Currency	$0.930	1.000	—	-
DEM Managed Currency	DM0.930	1.000	—	-
Sterling Managed Currency	£0.930	1.000	—	-
US$ Intl Fixed Interest	$1.054	1.133	—	-
DEM Intl Fixed Interest	DM1.077	1.158	—	-
Sterling Intl Fixed Interest	£1.042	1.121	—	-
US$ Managed	$1.121	1.206	—	-
DEM Managed	DM1.198	1.209	—	-
Sterling Managed	£0.948	1.019	—	-
US$ Intl Stockmarket	$1.116	1.200	—	-
DEM Intl Stockmarket	DM1.150	1.237	—	-
Sterling Intl Stockmarket	$1.005	1.081	—	-
US$ Special Market	$0.845	0.909	—	-
DEM Special Market	DM0.930	1.000	—	-
Sterling Special Market	£0.848	0.911	—	-
Fidelity Managed International	£0.955	1.026	—	-
Fleming FF Eastern European	DM0.865	0.948	—	-
Perpetual UK Growth	£0.951	1.034	—	-
$1 Investment	$0.897	0.964	—	-
AXA Asset Management				
AXA Valeurs	FFr193.280		—	-
AXA Europe Actions Cap.	FFr398.099		—	-
AXA Europe Actions Dist.	FFr354.114		—	-
AXA NPI Cap	FFr153.851		—	-
AXA NPI Dist	FFr151.491		—	-
Apex Bank & Trust Company				
GCM Intl Convertible (OEIC)	$1207.50		—	-
GCM Intl Fixed Income (OEIC)	$1153.80		—	-
GCM Intl Equity (OEIC)	$131.15		—	-
Acciones y Valores de Mexico SA de CV				
Accival Apr 2	Pesos62.85		—	-
Africa Emerging Markets Fund				
NAV Mar 27	$15.5896		—	-
Agribusiness Fund Management Co				
ABC Bond	$10.00		—	-
Cimati	$1.11		—	-
Alliance Capital				
International				-
International Class B				-
Quasar				-
Quasar Class B				-
Global Small Cap				-
Global Small Cap Class B				-
ACM Research Class I (OEIC)	$1098.81			-
ACM Credit Arbitrage (OEIC)	$1114.83		(f)	-
Allied Dunbar International Fund Mngrs (1900)F				
ADI Emerging Asia	$0.6950	0.7325	+0.0029	0
Alokia Capital Management Ltd				
Alokia Growth Fund and Unit Trust				
Class A	$100.09	105.19	+0.40	-

	Selling Price	Buying Price	+ or -	Yield Gross
GAM U.S.	$388.85		+1.38	-
GAM Universal US$	$214.87		—	-
GAM Worldwide	$682.21		—	-
GAMerica	$610.34		—	-
GAMut Investments	$1402.07		—	-
GSAM Composite	$442.50		—	-
GSAM CHF Composite	SFr139.01		—	-
GSAM DM Composite	DM150.89		—	-
GSAM GBP Composite Inc.	£99.36		—	-
GSAM Money Mkt US$	$101.32		+0.01	4.81
Do Sterling	£101.45		+0.01	6.19
Do Swiss Franc	SFr100.27		—	0.86
Do Deutschmark	DM100.57		+0.01	1.88
GSAM Omega Intl	$98.55		—	-
GSAM Oracle	$178.58		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
JF Japan Tech Tst	Y20100	30780	+304	-
JF Korea Trust	$7.58	8.03	+0.01	-
JF Malaysia Tst	$34.07	38.05	+1.02	-
JF New Zealand Tst	$18.18	20.27	+0.04	-
JF Nomura Asia Tst	$10.13		(z)	-
JF Pacific Inc Tst(z)	$14.05	14.87	+0.10	-
JF Pacific Sm Co Tst	$7.16	7.52	+0.06	-
JF Pacific Secs Tst(z)	$58.21	61.59	+1.91	-
JF Pakistan Trust	$3.47	3.68	-0.03	-
JF Philippine Tst	$100.24	106.08	-0.11	-
JF Taiwan Trust	$17.83	18.89	-0.20	-
JF Thailand Tst	$26.82	28.38	-0.06	-
JF India	$22.77	24.09	-0.23	-
JF Indonesia Trust	$11.04	11.68	+0.01	-

	Selling Price	Buying Price	+ or -	Yield Gross
Global Asset Management - Contd.				
GAM Strategic				
Diversity Strategic A	138.47		—	-
Diversity Strategic B	133.47		—	-
European Strategic A	140.03		—	-
European Strategic B	134.91		—	-
Trading Strategic A	132.55		—	-
Trading Strategic B	139.17		—	-
Developing Mkts Strategic I	132.00		—	-
Developing Mkts Strategic II	132.95		—	-
GAM Select				
Select Asean Class A	$91.02		—	-
Select Asean Class B	$90.11		—	-
Select European A	$116.91		+0.20	-
Select European B	$100.62		+0.21	-
Select Japan A	$109.40		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
Jardine Fleming Unit Trusts Ltd - Contd.				
International Funds				
JF American Growth Tst.	$29.92	31.67	+0.29	-
JF Continental Euro Tst.	$4.47	4.74	+0.04	-
JF European Tst(z)	$18.47	20.80	+0.07	-
JF Germany Tst	DM14.29	15.13	+0.04	-
JF Global Bond & Currency Fd	$17.18	18.17	+0.04	7.3
JF Global Convertible Tst.	$14.40	15.24	+0.04	-
JF Global Securities Tst.	$24.75	26.10	+0.08	-
JF International Bond	$10.18	10.63	-0.03	-
JF Managed Currency Fd	$15.36	16.22	-0.03	-
JF Masterfund				
JF Asia Growth P'folio	$6.82	6.51	+0.02	-
JF Intl Growth P'folio	$10.72	11.00	+0.02	-
JF Money Fund - US$	$107.51	107.51	+0.01	5.19

	Selling Price	Buying Price	+ or -	Yield Gross
A Shares	$20.72		—	-
B Shares	$18.93		—	-
Worldwide Limited				
NAV Feb 28	$11.46		—	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$11.27		—	-
Xiphias Inc ECU Acc	Ecu1.8098		—	-
Zenelt Lombardier Ltd				
NAV Feb 28	$224.67		—	-
Zuhauf Investment Management AG				
European Focus Apr 4	DM153.535		—	-
Zweig-DiMenna International Limited				
NAV Mar 31	$157.57		—	-

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) 0001 to 1100 hours
(♠) 1101 to 1400 hours
(♦) 1401 to 1700 hours
(♣) 1701 to midnight.
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
a Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
z Previous day's price.
¶ Guernsey gross.
◆ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
◈ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER , PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☨ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.

payment.	1996	
I Indicated dividend yield, p/e ratio based on latest annual earnings.	L Estimated annualised yield, p/e based on latest annual earnings.	Abbreviations:
a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings	W Yield based on prospectus or other official estimates for 1997-98.	xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.
z Dividend yield includes a special payment	¶ Dividend is paid in whole or part as a	

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LONDON STOCK EXCHANGE

Shares make progress but turnover suffers

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK stocks rose strongly yesterday, mostly in response to Wall Street's late upsurge on Tuesday evening – which extended that market's rally to a third successive session – but also to weaker than expected output data. London shrugged off a sluggish start in the US yesterday afternoon, which saw the Dow Jones Industrial Average give way after a steady start.

UK industrial production during February fell 0.6 per cent, against expectations of a 0.2 per cent rise. Manufacturing output during the month was up 0.2 per cent, compared with a consensus forecast of up 0.3 per cent.

Economists pointed out, however, that the dip in industrial production was largely due to a fall in oil and gas production and utility output because of the warm weather.

The stock market's buoyant performance drove the FTSE 100 briefly back through the 4,300 level, although it could not maintain its early pace and slipped back to finish the day a net 23.0 higher at 4,292.3. The FTSE 250 moved up 20.9 to 4,539.6 and the FTSE SmallCap index gained 4.5 to 2,290.9.

But it was clear once again that the market's rise took place against a background of sparse retail business. The institutions stubbornly refused to get involved and it was left to the marketmakers to trade between themselves, mostly attempting to keep level trading books. Turnover at 6pm was a disappointing 699.7m shares.

Wall Street's overnight closing gain of 53 on the Dow came as a surprise to London traders who had seen the Dow off more than 30 during early trading on Tuesday. That rise extended the Dow's rally to around 130 over the three sessions.

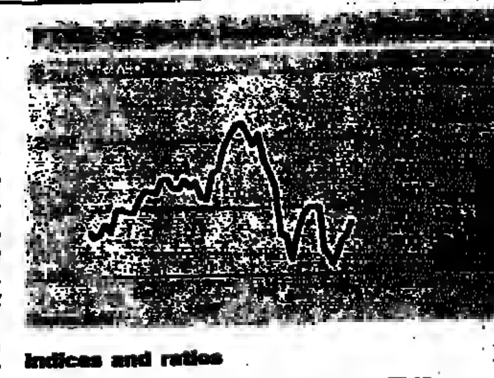
UK stocks got their expected early mark-up and slowly built on that as the output data were published. News that Labour's lead over the Conservatives had been clipped to 12 points had little impact on sentiment.

However, there were some murmurings that further erosion of Labour's lead might re-awaken the market's long-held fear of a hung parliament. Such an eventuality is viewed as the worst possible electoral outcome for the stock market, with the threat of months of political uncertainty.

London got slightly choppy during the last hour of business, when Wall Street began to lose heart, but never looked likely to give up its earlier gains.

Talk that Wall Street's rally had run its course for the time being was mostly ignored in London with chartists pointing to a further 170 points upside on the Dow. A move of that size would see the FTSE 100 approaching 4,400, it was suggested.

Hanson took top place in the FTSE 100, with specialists noting the good results this week from Tarmac, the building materials group, and highlighting Hanson's substantial building materials interests, which encompass the old London Brick business among others. Housebuilders, on the other hand, were roughly handled amid talk of a broker's sell recommendation.



Indices and ratios

FTSE 100	4292.3	+23.0	FT 30	2848.0	+5.6
FTSE 250	4539.6	+20.9	FTSE Non-Fins p/e	18.21	18.12
FTSE 350	2116.6	+11.1	FTSE 100 Fut Jun	4303.0	+21.0
FTSE All-Share	2087.56	+10.37	10 yr Gilt yield	7.66	7.66
FTSE All-Share yield	3.66	3.68	Long gilt/equity yld ratio	2.09	2.08

Best performing sectors

1. Pharmaceuticals .... +1.5
2. Oil: Integrated .... +1.3
3. Health Care .... +1.3
4. Water .... +1.1
5. Textiles & Apparel .... +1.1

Worst performing sectors

1. Gas Distribution .... -1.3
2. Tobacco .... -1.0
3. Building & Const .... -0.4
4. Retailers: Food .... -0.4
5. Electronic & Elec .... -0.3

Glaxo news awaited

By Peter John, Joel Kibazo and Gary Mead

Glaxo Wellcome traded cautiously as the market held fire ahead of important data on one of the pharmaceutical group's significant new products.

Glaxo is today expected to release information from Phase III clinical trials on Lamivudine, which is being developed with Biochem Pharma for the treatment of hepatitis B in the liver.

Some analysts have pencilled in sales of around £300m a year for the treatment. And Ms Alyson Coates of SGST considers it "a key plank in Glaxo's late stage research and development pipeline".

Good news may take some pressure off the company's shares, which have suffered a couple of disappointments recently.

First, the company had to warn doctors that Lamictal, its epilepsy drug, could, in rare cases, cause potentially fatal side-effects in some children. Glaxo also lost an appeal over its Zantac anti-ulcer treatment, which faces generic competition from July. Yesterday, the shares rose 7¼ to £10.88½p.

By comparison, Zeneca and SmithKline benefited from a continued revival in the fortunes of the US dollar. Zeneca gained 37 to £18.04½p and SmithKline 22½ to 915½p.

National Power and PowerGen were stronger as NatWest Securities recommended both stocks.

The broker does not believe that margins will be severely hit by the introduction of full competition in August next year and argues that "unless the windfall tax [proposed by the Labour party] is surprisingly large or is allocated across utilities in an illogical manner, both National Power and PowerGen offer outstanding value".

NatWest also feels the combination of high yields and high dividend growth merits a repeat of its "add" recommendations.

National Power was up 13½ at 514½p and PowerGen 5½ at 611p.

Shares in Rolls-Royce hardened 2 to 244 after it announced the sale of its Parsons Power Generation Systems operation to German group Siemens for £30m.

Last July Rolls announced its decision to withdraw from large steam power generation.

A large seller acting through one of the big US houses reversed initial gains in Smiths Industries, which reported interim figures at the top end of market expectations.

Earlier in the day the shares touched 806½p as dealers bought stock following the favourable figures and issued "buy" recommendations. The entry into the market of the big seller left the shares trailing 10½ to 785p.

Panmure Gordon remains a fan of the shares and said: "The stock is not cheap on a 20 per cent premium rating. However, we believe that this is a fair price to be paying for one of the best managed businesses in the sector. Double-digit growth is underpinned by their position on the rapidly growing civil and military aerospace programmes, with prospects for further impetus as the US medical businesses start to get serious about exporting."

British Steel remained under a cloud following the latest series of profit downgrades earlier this week. The shares gave up another 2½ to 150p.

The market welcomed news that Tomkins is to acquire US group Stant Corp for a total of $606m, in a deal expected to enhance earnings per share. The shares raced ahead late in the session to close 7½ better at 282½p, one of yesterday's best performers.

Enterprise Oil was recommended by Lehman as the broker responded to the recent drilling news from Norway. But the shares dipped 2¼ to 615p with some pressure from speculation that the company might bid for Dana Petroleum. Dana jumped 3½ to 26p. The takeover speculation was dismissed by sources close to Enterprise.

British-Borneo, hit recently by a disappointing drilling report, rallied 42½ to £13.40p.

Among the majors, Shell Transport advanced 11 to £10.50½p and BP 10½ at 693½p, in response to renewed strength in the US dollar against sterling.

Sedgwick rose 1½ to 126p as investors responded to a purchase of stock by Oakmark International, the US fund manager. The shares bounced from a year's low of 113p set last week.

St James's Place, the life assurance group, lifted 8 to 131½p with 11m changing hands. Prudential said it planned to acquire a controlling stake in the company and offered 130p per share to buy up to 7.7 per cent of the company, taking its holding to 29.9 per cent. Prudential gained 6 to 564p.

General Accident added 3 at 807½p after SBC Warburg said the stock had been oversold and reiterated its cautious "buy" advice up to a share price target of 900p.

Retailer Dixons, was the worst performer among FTSE 100 constituents, the shares trailing 10½ to 527p on cautious comments about the sale of a 40 per cent stake in Link, the group's consumer electronics chain. The disposal was announced on Tuesday.

A recommendation from House of Fraser sent the shares up 3 to 159p. NatWest Securities acknowledged the poor sentiment surrounding the stock but believes "the new management team has the experience to resolve the worst weakness which stemmed from lack of organisational skills. With WH Smith-style provisions to take care of the stock issues, the recovery in profits could provide a pleasant surprise."

Among food retailers, there was profit-taking in Tesco, which reported well-received figures on Tuesday. The shares eased 2 to 362p.

Kleinwort advised switching into the stock and out of Allied Domecq following news of a slump in Teacher's whisky sales. UBS repeated a "buy" recommendation. The stock was up 7½ at 490½. Allied was down 6½ at 437½p.

BSkyB recovered 8½ to 594p following the heavy fall prompted by Tuesday's downgrade from BZW.

Dewhirst, a supplier of clothing to Marks and Spencer, rose 8 to 184 as BZW upgraded the stock after Tuesday's better than expected results. BZW raised the stock to "buy" and added 2 per cent to its profit estimates for the company, highlighting the Dewhirst's success in widening trading margins to 8.2 per cent from 7.8 per cent.

Coral Products, the maker of injection moulded plastic products, slid a further 5 to 37½p on consideration of Tuesday's profits warning.

FT 30 INDEX

	Apr 9	Apr 8	Apr 7	Apr 4	Apr 3	Yr ago	*High	*Low
FT 30	2848.0	2842.4	2838.8	2817.4	2801.5	2804.4	2931.4	2668.8
Ord. div. yield	3.90	3.92	3.92	3.95	3.96	3.66	4.22	3.76
P/E ratio net	17.00	16.94	16.93	16.82	16.76	16.85	18.09	15.80
P/E ratio nil	16.83	16.77	16.76	16.65	16.59	16.60	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2850.9	2853.6	2856.2	2850.9	2849.3	2847.8	2848.8	2851.5	2847.0	2855.3	2845.6

	Apr 9	Apr 8	Apr 7	Apr 4	Apr 3	Yr ago
SEAQ bargains	40,724	42,078	53,704	62,681	66,629	33,395
Equity turnover (£m)†	-	NA	2112.6	3282.5	3140.7	2579.0
Equity bargains†	-	NA	57,524	56,164	66,117	38,466
Shares traded (ml)†	-	NA	857.8	707.7	722.7	871.8

†Excluding intra-market and overseas turnover but including Crest turnover.

	Apr 9	Apr 8	Apr 7	Apr 4	Apr 3	Yr ago	*High	*Low
FTSE AIM	1091.5	1090.2	1086.2	1088.9	1087.8	997.5	1140.4	965.7

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	716	Total Highs	35	Total contracts	58,741
Total Falls	426	Total Lows	58	Calls	20,717
Same	1,274			Puts	38,024

Apr 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4306.0	4303.0	+21.0	4321.0	4286.0	[illegible]	[illegible]
Sep	-	4326.0	+21.0	-	-	[illegible]	[illegible]

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4535.0	4584.0	+21.0	4536.0	4535.0	[illegible]	[illegible]

Calls 2,700 Puts 13,507

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 6,213 Puts 15,773 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§100	F.P.	68.8	103½	90	†Avalon Oil	90	-2½	-	-	-	-
	F.P.	765.7	142½	124	Avis Europe	131½	+3	Q4.12	2.7	3.1	15.0
§	F.P.	6.33	44½	41½	†Bickerton	41½		-	-	-	23.2
§500	F.P.	123.0	620	562½	Cambridge Antibody	584	+1½	-	-	-	-
§40	F.P.	13.2	65	55	†Charlton Athltc	60½		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§	F.P.	58.5	335	290	Diagonal	316	+16	-	-	-	41.1
§	F.P.	10.9	72½	70½	Donatantonio	72		L2.26	1.7	3.9	13.2
§175	F.P.	37.0	207½	175	Harvey Nash	204½	+12	F4.0	-	2.4	-
§175	F.P.	25.9	212½	198	Heal's	212½		L3.9	3.1	2.3	15.6
§100	F.P.	18.8	130½	115	Helphire Group	115	-1½	R0.6	5.1	0.9	14.1
100	F.P.	35.9	102½	92½	Murray VCT 2	102½		-	-	-	-
§135	F.P.	197.7	144½	135½	Newcastle Utd	138	-½	u1.8	-	1.4	-
	F.P.	4.75	95	95	Oxford Tech Vent	95		-	-	-	-
§17	F.P.	4.07	50½	17½	Pathfinder Props	38		-	-	-	-
§	F.P.	3.15	3	2½	†Prestbury Leisur	2½		L0.32	5.4	16.0	10.1
§	F.P.	18.4	122½	115½	†Q Group	116½		-	-	-	-
-	F.P.	39.5	15½	12½	†Sibir Energy	15½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	72.8	61½	59	Utd Overseas Grp	61	+1	-	-	-	13.2
	F.P.	22.4	147½	143½	Whitehead Mann	144½		§4.35	2.2	3.8	13.8
§	F.P.	-	177	177	Worldsec	177		-	-	-	-
§	F.P.	38.5	183	168	†World Telecom	183	+1½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 8	% chg on day	Apr 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1609.16	+0.3	1604.90	2246.81	2.86	-	2382.86	1604.90
■ Regional Indices								
Africa (14)	1932.36	+1.2	1909.83	3026.42	4.64	30.46	3197.52	1895.96
Australasia (6)	1865.49	+0.8	1850.86	2672.55	2.88	20.29	2844.14	1850.86
North America (12)	1488.47	-0.2	1491.37	2111.09	0.90	58.97	2134.81	1488.47

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 9	Day's chge%	Apr 8	Apr 7	Apr 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4292.3	+0.5	4269.3	4271.7	4236.6	3767.4	3.76	2.08	16.12	53.72	1818.08
FTSE 250	4539.6	+0.5	4518.7	4518.4	4514.8	4387.1	3.53	1.54	23.00	45.15	1879.16
FTSE 250 ex IT	4581.5	+0.5	4560.0	4560.2	4558.8	4419.6	3.62	1.57	22.05	46.19	1901.35
FTSE 350	2116.6	+0.5	2105.5	2106.4	2092.4	1896.1	3.71	1.96	17.10	25.35	1830.61
FTSE 350 Higher Yield	2041.2	+0.4	2033.0	2034.9	2024.0	1834.5	4.83	1.83	14.11	29.29	1492.93
FTSE 350 Lower Yield	2198.6	+0.6	2184.6	2184.3	2166.9	1965.2	2.58	2.20	22.02	21.10	1559.22
FTSE SmallCap	2290.93	+0.2	2286.38	2284.27	2282.32	2114.94	3.04	1.88	24.47	18.90	1929.75
FTSE SmallCap ex IT	2302.18	+0.2	2298.37	2296.84	2296.35	2100.20	3.23	1.73	22.06	19.89	1954.16
FTSE All-Share	2087.56	+0.5	2077.19	2077.88	2064.97	1874.25	3.66	1.94	17.58	24.39	1832.38

■ FTSE Actuaries Industry Sectors

	Apr 9	Day's chge%	Apr 8	Apr 7	Apr 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4022.26	+1.0	3982.18	3968.90	3944.65	3452.15	3.71	2.15	15.70	30.55	1776.55
12 Extractive Industries(5)	4018.65	-0.2	4024.02	4049.18	4044.76	4321.73	3.82	2.39	13.36	96.06	1225.18
15 Oil, Integrated(3)	4135.12	+1.3	4082.04	4066.40	4032.73	3487.45	3.83	2.11	15.11	20.17	1871.46
18 Oil Exploration & Prod(12)	3486.46	+0.1	3485.50	3455.46	3464.91	2431.72	1.86	2.18	34.47	34.64	2135.24
20 GEN INDUSTRIALS(270)	1994.72	+0.1	1991.88	1996.10	1991.84	2105.49	3.99	1.88	16.65	22.48	1128.55
21 Building & Construction(35)	1322.22	-0.6	1329.88	1334.25	1339.39	1156.38	3.24	1.90	20.32	16.21	1142.69
22 Building Matls & Merchs(31)	1881.88	+1.0	1863.75	1854.32	1852.02	1894.76	4.25	2.76	10.65	19.96	982.98
23 Chemicals(26)	2302.99	+0.5	2292.24	2271.81	2257.20	2528.83	4.55	1.59	17.30	37.99	1136.44
24 Diversified Industrials(16)	1473.90	——	1473.55	1477.96	1486.37	1774.47	4.90	1.82	14.01	27.90	868.02

TRADING VOLUME

■ Major Stocks Yesterday

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 9 / Sch)

BELGIUM/LUXEMBOURG (Apr 9 / Frs.)

CZECH REP (Apr 9 / Koruna)

DENMARK (Apr 9 / Kr)

FINLAND (Apr 9 / Mka)

FRANCE (Apr 9 / Frs.)

GERMANY (Apr 9 / Dm.)

GREECE (Apr 9 / Drachma)

ITALY (Apr 9 / Lira)

NETHERLANDS (Apr 9 / Fls.)

NORWAY (Apr 9 / Krone)

POLAND (Apr 9 / Zloty)

PORTUGAL (Apr 9 / Escudo)

SPAIN (Apr 9 / Ptas.)

SWEDEN (Apr 9 / Kronor)

SWITZERLAND (Apr 9 / Frs.)

TURKEY (Apr 9 / Tk Lira)

PACIFIC

JAPAN (Apr 9 / Yen)

AUSTRALIA (Apr 9 / Aus$)

HONG KONG (Apr 9 / H.K.$)

INDONESIA (Apr 8 / Rupiah)

MALAYSIA (Apr 9 / MYR)

NEW ZEALAND (Apr 9 / NZ $)

SINGAPORE (Apr 9 / S$)

SOUTH KOREA (Apr 9 / Won)

TAIWAN (Apr 9 / TW $)

THAILAND (Apr 9 / Baht)

AFRICA

SOUTH AFRICA (Apr 9 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 9 / Can $) 4 pm close

MONTREAL (Apr 9 / Can $) 4 pm close

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Apr 9	Apr 7	Apr 4	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	6609.16	6555.91	6526.07	7085.16 (11/3)	6442.49 (2/1)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.82	101.83	101.93	103.83 (19/2)	101.62 (8/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2425.82	2427.36	2400.54	2469.59 (18/3)	2222.07 (2/1)	2469.59 (18/3/97)	13.23 (8/7/32)
Utilities	214.22	214.64	214.85	240.85 (22/1)	214.22 (8/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6638.62 (6639.00) Low 6491.71 (6508.70) (Theoretical§)
Day's high 6609.54 (6589.14) Low 6520.03 (6527.21) (Actual§)

Standard and Poors	Apr 9	Apr 7	Apr 4	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	766.12	762.13	757.90	816.29 (18/2)	737.91 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials¶	897.53	894.53	889.85	959.96 (19/2)	866.92 (2/1)	959.96 (18/2/97)	3.52 (30/6/32)
Financial	87.81	86.27	85.48	97.25 (18/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	402.31	400.68	398.02	427.70 (10/3)	389.53 (2/1)	427.70 (10/3/97)	4.84 (25/4/42)
Amex Comp.	561.42	560.44	556.73	603.83 (10/3)	556.73 (4/4)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1257.37	1251.35	1236.73	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 4	Mar 21	Mar 14	Year ago
Dow Jones Ind. Div. Yield	1.97	1.89	1.95	2.11
	Apr 2	Mar 26	Mar 19	Year ago
S & P Ind. Div. yield	1.88	1.77	1.78	1.86
S & P Ind. P/E ratio	21.45	22.54	22.38	21.43

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Nike 9	7,555,100	54½	-¾
ColmbiaHCA	6,092,000	32¼	-⅜
Micron Tc	6,225,300	43¼	+1½
Adv Micro	6,211,900	43	+1¾
Checkpoint	5,813,200	11⅞	+1½
Motorola	4,350,200	59¾	-¾
Fannie Mae	3,470,800	38⅝	+1⅛
Hewlett Pk	3,058,100	53	+¼
AT & T	3,763,800	34⅝	----
Seagate Tc	3,611,200	51½	+⅞

■ TRADING ACTIVITY

● Volume (million)

	Apr 9	Apr 7	Apr 4
New York SE	448.855	453.420	537.236
Amex	18.382	18.282	21.113
NASDAQ	532.227	577.788	677.637
NYSE			
Issues Traded	3,299	3,301	3,292
Rises	1,347	1,721	1,417
Falls	1,115	774	1,053
Unchanged	837	806	822
New Highs	51	56	33
New Lows	60	48	94

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	771.85	773.50	+1.45	774.40	771.85	70,398	178,618
Sep	782.00	781.30	+1.35	782.35	780.90	283	4,724

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	17990.0	17710.0	-330.0	18030.0	17680.0	26,892	222,834
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,725

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, April 9, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	7.0m	168	-2
Mitsui Min & Sml	6.9m	494	-8
Nippon Steel Cp	6.4m	361	-2
Sumitomo Bank	6.1m	1250	-70
Fujitsu	5.5m	1300	+10
Nomura Secs	5.3m	1190	-50
Toshiba Corp	5.3m	715	+8
Mitsui E & S Bld	5.2m	201	-12
Ricoh	5.0m	1510	
Sakura Bank	4.5m	621	-27

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close April 9

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
30½	24¼	AAR	0.40	1.6	00	383	30	29½	30	+½
46	33⅛	AMP	1.04	3.0	26	11079	35⅛	34⅞	20	+¼
90⅞	78¼	AMR			8	5655	86	84⅞	85⅛	-⅜
37⅝	33¼	ASA	1.20	2.9	22	104	33¾	33⅜	33¾	-⅛
60½	49¾	AbbtL	1.08	2.0	22	7667	57½	55¼	55⅞	-1⅛
17½	14⅛	Abitibi Pr	0.40	2.8	7	740	14½	14⅜	14½	+⅛
19¾	17⅞	ABM Ind	0.40	2.2	18	103	18¼	17⅞	18¼	-⅛
23	18¼	Acptocetn			0	236	15⅞	d18	18⅛	-¼
69⅞	58⅛	ACE Ltd x	0.72	1.2	10	2504	60¾	59½	60¾	+⅛
10¾	18	ACM Gvt In x	0.90	8.9	11	101	10⅛	d18	10⅛	
7⅝	7	ACM GvOpp x	0.63	0.8		180	7½	7⅜	7⅜	
9⅞	9¼	ACM Msn x	0.90	9.5		304	9⅝	9½	9½	-⅛
10⅞	6¼	Acme Elect				14	6½	d6¼	6½	+¼
20	14⅝	Acme Mills			64	22	14⅞	14¾	14⅞	+⅛
33	27¼	Acordia	0.80	2.5	15	205	32	31⅞	32	
29¾	21¼	Acuson				545	22⅛	22⅛	22¼	-⅛
27	19⅜	Adams Exp	0.55	2.7	1	68	20¼	20⅛	20¼	+⅛
49½	24⅞	AdvMic				23568	43½	41½	41½	-1½
15	10⅝	Advest Grp x	0.03	0.2	8	75	13½	15¼	15⅜	
14⅝	11⅜	Advo Inc			27	00	12⅜	11⅞	12	-⅛
73⅝	61⅛	Aegon	1.48	2.1	19	106	67⅝	67¼	67⅝	+1⅛
5⅛	3⅛	Aerfix				161	3⅜	3¼	3¼	
67⅞	48	AES Corp				z0	60	66	66	+⅛
89⅞	75	Aetna	0.80	0.9	62	2340	88¾	85⅛	85⅜	-¾
43½	27½	Aflac	0.40	1.0	14	1308	40½	39⅞	40⅜	+¼
61⅛	18⅜	AGL Res	1.08	3.0	15	243	18⅝	18	18⅛	-¼
45¾	32	Ahmanson	0.80	2.4	48	3609	37⅝	36⅜	36⅞	-¼
77⅞	66⅞	AirPrC x	1.18	1.6	17	1926	59⅝	67⅞	93	
30⅛	22¾	Airbrn Frt	0.30	0.9	25	1148	u33⅛	32½	32¾	-¼
24½	16⅜	Airgas			25	746	17⅞	16⅞	17	-¾
17⅞	16	Airlease x	2.43	23.1	3	169	16⅛	10¼	16⅝	+⅛
29⅞	22	AirTch			65	6516	23¾	23¼	23⅝	
27⅞	20¾	Alaska Air			9	488	24⅞	24½	24⅞	+¼
24½	20⅛	Albany Int	0.42	2.1	12	716	20¼	d20	20⅛	
24⅛	14⅞	Albemarle	0.28	1.3	8	449	16½	16⅛	16½	
30¼	23⅞	AlbCulB	0.20	0.8	10	651	00	25½	26	+⅛
25⅞	20	AlbCulA	0.20	0.9	18	133	22	21⅛	21¾	+¼
37⅛	32¼	Albsn	0.64	2.5	18	4060	33⅛	d32¼	32½	
33⅛	21⅛	AlcanAl	0.60	1.9	13	0888	32⅛	d31	31¾	-¾
64⅞	41⅛	AlexBrown	0.88	1.1	9	3987	62⅝	61	61	-1⅛
21⅛	00	AllegP	1.72	6.1	18	2100	28¼	28⅛	28⅛	
29½	21	AllegT	0.64	2.5	21	1926	28¼	27¾	27⅞	-⅛
27¾	21¼	Allegnce	0.40	1.9	10	2475	22⅞	21¾	27½	+⅛
28½	18	Allen Corn			24	600	19⅝	18½	18⅞	-⅛
36¼	27½	Allergan	0.52	1.9	24	1495	29¼	28⅜	28¾	-½
30¼	24	Allnce Cap	2.36	9.0	11	622	26⅛	26	36⅛	+⅜
14⅝	12⅛	Allnce Gl				39	13½	13½	13½	
44⅞	38½	A Intxbs	1.45	3.0	18	165	40⅝	40¼	40⅝	+⅛
76½	66½	AlldSig	1.04	1.5	10	2929	71½	70¼	70⅜	-½
32¼	30	AllmPr	0.18	0.5	12	97	31⅞	21¼	61¼	
19⅝	10⅛	Allmer	0.84	8.3		21	10⅛	d10⅛	10⅛	
68¼	56¼	Allstate	0.96	1.8	13	5898	62¼	61½	61¾	-⅜
35¾	30⅝	Alltel	1.18	3.4	21	1615	32¾	32⅛	32⅜	-½
16½	4¾	Alpharma			45	730	6⅛	8	8⅛	+⅛

Continued on next page

NYSE PRICES

4 pm close April 9

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close April 9

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
J&J Snack		24	92	14	13¾	13¾	-⅛
Jason Inc		15	25	6¾	6¾	6¾	-⅛
Johnson W			39	12½	12	12½	+¾
Jones Int			134	6	d5¾	6¾	-⅛
Jones Med	0.08	45	5172	29¼	28¾	29 7/16	+13/16
JSB Fin	1.40	10	276	u44½	40½	42¼	+2¼
Juno Ltg x	0.32	14	340	16	15½	16	+⅜
Justin x	0.16	12	192	11¼	10⅞	11⅛	+⅛

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss x	0.08		109	17	12⅛	11⅛	12
Kaman Cp x	0.44	12	210	13¼	12⅞	13¼	+¼
Kelly Sv	0.84	13	406	27¼	d25¼	25⅝	+⅜
Kimball x	1.04	15	320	39⅛	38¼	38¾	+⅛
KLA Instr		21	25408	45¼	44⅜	45½	+1¼
Koll A			786	1/32	6¼	⅛	
Komag		15	10946	34¼	21⅛	31 5/16	-1⅛
Kulicke S			9015	27½	26½	25¾	-.65

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
PresCas			142	3/32	d1/16	⅛	-1/32
Pres Life	0.20	12	424	16¾	13½	13 11/16	
Presstek		121	688	53½	50¼	52¼	
PridePtr		24	3579	20⅞	18⅞	19¾	+⅞
Printronl		14	93	12¾	12⅛	12⅛	-½
Prod Ops	0.28	30	685	58½	55	55¾	+¾
Qualcomm		203	12192	58⅝	56¾	57	-¼
Qual Food		24	z0	41⅞	41⅞	41⅞	+⅛
Quantum		26	58501	u48⅛	46	48⅛	
Quickturn		16	2700	25½	25¼	25½	+⅛
QuintilesA		413	3814	54⅝	51¼	53¼	-⅛

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		13	2566	17½	17	17½	+½
Rallys			642	3 11/32	3 3/16	3 11/32	-1/16
Raymond	0.25	14	1976	29½	29	29⅛	-⅛
RCSB Fin	0.60	11	1788	31⅞	30⅞	31 1/16	-1/16
Read-Rite			39486	34	32¼	32½	-⅛

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Watson Bnc	1.04	15	442	62	61	61⅛	-½
WaspSIA		18	777	36¼	35½	35⅝	
Wet SealA		21	1110	26¼	24¾	24¾	-1⅛
Wilmtn	1.28	10	z0	63½	d63½	63½	
WmsSonoma		35	2958	31	30	30½	+⅛
Wolohan L	0.28	14	110	12⅝	12⅛	12⅝	+¼
Wrldcm			49164	24	23	23¼	-¾
Worthngtn	0.48	18	2588	16¾	d18	16⅜	-⅜
WPP ADR	0.10	22	332	41½	40⅞	41½	+1 3/32
Wyman-Gdn	0.40	27	1689	21¾	21⅛	21½	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	31465	u53½	49⅞	50 13/16	-1 1/16
Xircom		31	1433	18¾	17	17⅜	-¾
Xpedx Corp			1004	5 9/16	5 7/16	5 7/16	
Yellow			3082	u20¼	19¾	19¾	-⅛
York Rsch		15	249	7⅞	d7½	7¾	+⅛
ZionsUtah	1.70	17	232	119⅞	116⅞	117⅜	-¾

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ *Members are made up of Brokers and Banks from across Europe.*

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.875		6	8.25	7.5	Esprit Telecom ADS	US$9.875		0	12.5	9.75
Artwork Systems	US$10.5		19561	11.375	10.25	Innogenetics	US$12	-0.129	30050	12.625	10.5
Chemunex	FFr17.5		0	18	17	Mercer Internatl.	US$9.5		25000	11.375	0
Dr Solomon's ADS	US$26	-0.25	0	28	20.875	PolTech	US$4.75		3000	6.25	4.375

Prices for 9/4/97. Please note that trading prices are currently used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9890).

AMEX PRICES

4 pm close April 9

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NY TimA	0.60	22	1570	44⅛	43⅝	43¾	-¼
NVR		7	695	14	13⅝	13⅝	-¼
Pegasus G		77	625	7 13/16	7 11/16	7¾	-⅛
Pwhl		3	155	7	d6¾	6⅞	-⅛
PMC x	1.24	11	49	13⅝	13⅛	13⅝	+⅛
RaganBrad			20	28⅛	d28⅛	28⅛	
SJW Corp	2.28	23	30	d54¼	53⅛	53⅛	-⅞
Tab Prods	0.20	13	37	10¼	10	10	-¼
Tel&Data	0.42	37	z0	39½	39½	39½	-⅛
Thermedics x		25	771	17¾	17⅜	17½	-⅛
ThermoIns		21	407	30	28⅝	29⅝	-½
TotPNA v	0.30	153	256	11	10⅞	10¾	+⅛
TownCtry		0	68	¼	d¼	¼	
Triton Gp		7	281	⅞	13/16	⅞	
Tubos Mex			1220	17⅜	17⅛	17¼	
UtdFoodsA		21	z0	1 11/16	1 11/16	1 11/16	
UtdFoodsB			z0	1¾	1¾	1¾	
US Cellul		16	217	25¼	24⅛	24⅞	-⅛
ViacomA		105	949	31¾	21⅛	21¾	+⅛
ViacomB		107	7394	32⅛	31⅞	32⅛	+⅜
WRET	1.12	19	z0	12⅞	d12⅛	12⅛	-⅛
Xytronix			z0	1 7/16	1⅜	1 3/16	

Dow steady ahead of inflation data

AMERICAS

US shares were flat at midsession as investors continued to wait for more data about the strength of the economy and signs of inflationary pressures, *writes Lisa Bransten in New York.*

At 1pm, the Dow Jones Industrial Average was up 2.27 at 6,611.43; the Standard & Poor's 500 climbed 0.50 at 766.62. NYSE volume was 248m shares.

Technology shares were little changed, with the Nasdaq composite 0.83 stronger at 1,252.18 while the Pacific Stock Exchange technology index was ahead 0.3 per cent.

Bonds were also flat amid uncertainty about whether the Federal Reserve would increase interest rates again at the May meeting of its Open Market committee. The market was expected to trade in a relatively narrow range until tomorrow's release of figures on producer prices.

Investors were also watching the trickle of earnings reports out this week, which will become a flood next week.

On the first quarter earnings front, Abbot Labs added $¼ at $56⅞ after reporting earnings that were a cent ahead of expectations, while Dow Jones lost $⅝ at $40⅞ after reporting operating earnings that were a cent lower than forecast.

Seagate Technology, a computer disk drive maker, added $½ at $52 after reporting first quarter earnings that were well ahead of expectations.

Investors gave their blessing to Procter & Gamble's planned acquisition of Tambrands in a deal valued at $1.85bn. Procter & Gamble, a component of the Dow, gained $3⅝ or 3 per cent at $119 and Tambrands added $2 or 4 per cent to $48⅝.

Merck, another Dow component, lost $3⅞ or 4 per cent at $81⅞ after several analysts downgraded it on worries that it could lose market share on its cholesterol-lowering drug on competition from Warner Lambert. Warner Lambert jumped $95⅞ 3 per cent at $95⅞.

TORONTO tracked Wall Street in lacklustre early trading, moving higher at the outset but settling lower at the end of the morning.

At noon, the 300 composite index was off 6.81 at 5,814.20.

Alcan Aluminium fell a further 90 cents to C$43.50 and Royal Bank of Canada came off 30 cents to C$53.80.

Sao Paulo back on the offensive

SAO PAULO, hit by profit-taking on Tuesday, returned to the offensive yesterday morning as investors renewed their enthusiasm for telecoms shares.

Telebras, a strong market lately on news of a tariff increase, surged R$2.40 or 2 per cent to R$123.70. At midsession, the *Bovespa* index was up 150 at 9,888.

MEXICO CITY moved ahead in a morning dominated by gains for ADRs on Wall Street, notably Telmex. *At midsession, the IPC index* had risen 23.84 to 3,808.15.

South Africa edges ahead in low volume

Johannesburg was mostly in tick-over mode with the all-share index hugging a narrow trading range and closing a bare 4.3 higher at 7,048.4 in dull volume.

Industrials rallied modestly, adding 5.2 to 8,249.9. Sasol rose R1.25 to R51.25 and Pick'n Pay, the leading retailer, surged R5.90 to R574 after top of the range results. Golds were mixed but ended lower with the golds index off 9.2 at 1,309.1. Vaal Reefs gained R1 to R276.50 while Kloof fell RR1.25 to R33.75.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: April 04 1996	% Change over week	% Change on Dec '96	Local currency terms: April 04 1996	% Change over week	% Change on Dec '96
Latin America	(249)	628.33	+0.1	+16.8			
Argentina	(30)	1,023.44	-3.2	+7.7	627,646.14	-3.2	+7.6
Brazil	(68)	507.15	+2.6	+28.0	2,007.503	+2.6	30.3
Chile	(45)	710.76	+0.7	+14.6	1,187.57	+1.3	+12.8
Colombia[1]	(14)	783.58	+2.2	+23.8	1,475.20	+2.4	+30.8
Mexico	(64)	581.64	-2.6	+9.8	1,997.43	-2.0	+11.1
Peru[2]	(19)	232.82	+2.5	+18.3	378.07	+2.7	+21.0
Venezuela[3]	(9)	699.59	-3.5	-5.3	7,568.30	-3.6	-5.1
Asia	(711)	247.51	-4.3	-2.1			
China[4]	(27)	71.86	-0.9	-2.6	75.28	-0.9	-2.6
South Korea[5]	(156)	75.27	+6.8	-2.8	88.38	+6.3	+2.9
Philippines	(42)	276.20	-4.8	-5.9	351.76	-5.0	-5.7
Taiwan, China[6]	(90)	173.39	+2.4	+13.1	179.33	+2.4	+13.3
India[7]	(79)	89.14	-2.9	+13.2	113.50	-3.0	+13.3
Indonesia[8]	(49)	120.03	-4.4	-8.0	156.74	-4.2	-4.3
Malaysia	(148)	316.89	-8.4	-5.9	290.87	-8.2	-7.3
Pakistan[9]	(28)	240.53	-1.8	+22.92	439.41	-1.8	+22.9
Sri Lanka[10]	(5)	100.15	+0.5	+5.3	127.56	+0.9	+8.4
Thailand	(87)	190.44	+1.7	-14.0	196.50	+1.7	-12.8
Euro/Mid East	(264)	156.98	-0.8	+16.9			
Czech Rep	(7)	86.67	-1.9	-5.0	63.75	-3.0	+0.4
Egypt	(16)	104.96	-1.0	-	104.84	-0.9	--
Greece	(54)	329.45	+3.5	+35.9	590.98	+3.3	+45.9
Hungary[11]	(12)	232.30	-2.5	+18.1	492.73	-2.4	+26.8
Jordan	(7)	185.84	-1.6	-0.5	277.34	-1.6	-0.6
Morocco	25)	129.15	+3.0	-	131.16	+2.9	-
Poland[12]	(30)	719.48	-6.4	-1.7	1,391.47	-6.5	+5.5
Portugal	(28)	156.55	-3.1	+7.1	180.90	-3.3	+18.0
Russia	(15)	106.74	-3.8	-	108.92	-3.6	-
Slovakia	(5)	116.16	+1.0	-	117.27	+0.5	-
South Africa[13]	(63)	236.02	-0.6	+12.7	214.17	-0.8	+6.3
Turkey[14]	(58)	217.81	-0.4	+46.5	13,193.99	+0.7	+73.1
Zimbabwe[15]	(5)	576.01	-1.4	+21.7	954.54	-1.5	+26.5
Composite	(1224)	316.67	-2.0	+8.0			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Strong gains are forecast for the Lisbon market this year, based partly on Portugal's expected transition from an emerging to a small, mainstream European market, *writes Peter Wise.*

The BVL-30 index has already gained almost 20 per cent this year, on top of a 34.6 per cent increase in 1996; some brokers see the possibility of a 25-30 per cent increase for the full year. A series of large global offerings over the past two years, mainly privatisations, have increased market capitalisation, liquidity and diversity to a level likely to qualify Portugal for re-rating as a developed market, Lisbon analysts say. An initial public offering of Electricidade to Portugal, the national power utility, in June is expected to trigger a reclassification by indices such as Morgan Stanley Capital International (MSCI) and FT/S&P Actuaries. Portugal is benefiting from the best of two worlds; it is expected to attract overseas investment directed at both the emerging and developed markets during a transitional period.

Total market capitalisation grew from $8.4bn in 1987 to $25.5bn at the end of 1996. The offer of up to 30 per cent of EDP in Portugal's biggest privatisation to date is expected to add about $2bn to this figure, already lifted above $30bn by share price increases this year. Lower than expected March inflation figures this week have led to expectations of a central bank cut in money market rates. This has helped to lift the BVL-30 which closed up 28.25 yesterday at 2,561.45, an increase of 18.33 per cent from the end of 1996.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 8 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 7 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	215.46	0.7	196.77	171.85	161.85	183.43	0.0	4.14	214.02	194.69	170.12	190.37	183.38	225.77	186.44	196.85
Austria (24)	180.01	0.5	164.39	143.57	160.12	160.07	0.5	1.61	179.04	162.88	142.32	159.26	159.21	195.04	174.70	194.05
Belgium (26)	230.53	-0.1	210.54	183.87	205.06	200.80	-0.1	3.55	230.84	209.99	183.49	205.33	200.89	241.54	205.89	210.72
Brazil (30)	245.65	-0.6	224.34	195.93	218.51	478.48	-0.6	1.06	247.20	224.88	196.50	219.89	481.48	247.23	149.69	150.19
Canada (114)	183.78	-0.2	167.84	146.58	163.47	184.64	-0.4	2.11	184.20	167.57	146.43	163.85	185.32	203.31	154.12	158.43
Denmark (32)	354.15	0.8	323.43	282.47	315.02	314.08	0.8	1.59	351.51	319.77	279.42	312.67	311.54	376.96	291.88	299.07
Finland (26)	252.23	0.6	230.35	201.18	224.36	270.41	0.6	1.69	250.69	228.06	199.28	223.00	268.93	268.58	174.47	175.22
France (91)	215.08	0.3	196.43	171.55	161.32	194.27	0.3	2.76	214.52	196.15	170.52	190.82	193.72	226.25	186.94	196.88
Germany (59)	197.12	0.4	180.03	157.23	175.35	175.35	0.4	1.61	196.35	178.62	156.08	174.66	174.66	207.65	164.47	173.65
Hong Kong (66)	449.96	0.9	410.93	358.88	400.25	447.66	0.9	3.38	446.06	405.79	354.58	396.78	443.88	514.49	407.55	437.66
Indonesia (27)	224.17	0.0	204.72	178.79	199.40	330.90	0.0	1.61	224.24	204.00	178.25	199.47	330.85	-	-	-
Ireland (16)	324.66	-0.4	296.51	258.95	288.80	295.20	-0.2	3.22	325.97	296.54	259.11	289.96	295.74	348.35	264.44	267.91
Italy (59)	86.26	-0.4	78.78	68.80	78.73	108.77	-0.1	2.19	86.60	78.78	68.84	77.03	108.85	96.32	73.26	73.28
Japan (485)	111.09	0.5	101.45	88.60	98.81	88.60	0.9	0.88	110.44	100.47	87.79	98.24	87.79	164.86	109.16	153.96
Malaysia (107)	576.42	2.4	526.43	459.75	512.74	555.85	2.5	1.15	563.15	512.31	447.66	500.94	542.16	660.85	512.47	646.08
Mexico (27)	1359.41	0.0	1241.50	1084.28	1209.22	11717.27	-0.2	1.17	1359.09	1236.38	1080.38	1208.94	11745.76	1445.68	1110.35	1181.93
Netherland (19)	336.02	-0.1	306.87	268.01	298.90	295.10	-0.1	2.65	336.36	305.99	267.38	299.20	295.40	357.16	279.88	291.22
New Zealand (14)	83.68	0.0	76.42	66.74	74.44	64.47	0.1	4.41	83.66	76.11	66.50	74.42	64.39	95.60	75.94	81.85
Norway (41)	296.92	0.5	271.17	236.83	264.12	279.77	0.1	2.19	295.53	268.85	234.92	262.88	279.37	321.23	238.82	239.43
Philippines (22)	175.21	-3.3	160.01	139.74	155.85	230.25	-3.3	0.78	181.26	164.89	144.09	161.23	238.20	-	-	-
Singapore (43)	402.07	1.6	367.20	320.69	357.65	267.00	1.5	1.05	395.95	360.20	314.74	352.20	263.00	449.15	371.28	433.50
South Africa (44)	359.66	-0.6	328.48	286.88	319.95	347.92	-0.6	2.41	361.77	329.10	287.57	321.80	350.17	381.77	301.49	371.12
Spain (35)	213.38	0.3	194.87	170.19	189.81	233.68	0.4	2.70	212.63	193.43	169.02	189.14	232.89	228.16	171.08	172.35
Sweden (49)	422.65	-0.1	386.00	337.11	375.96	479.34	-0.9	2.18	423.10	384.90	336.33	376.36	483.48	446.64	334.04	337.05
Switzerland (38)	252.68	-0.4	230.77	201.54	224.77	230.34	-0.2	1.42	253.73	230.82	201.69	225.70	230.82	262.41	228.35	247.89
Thailand (43)	84.43	-0.3	77.11	67.34	75.10	85.47	-0.1	3.65	84.66	77.02	67.30	75.31	85.60	166.23	73.98	166.12
United Kingdom (211)	276.83	-0.5	252.82	220.80	246.25	252.82	-0.1	3.89	278.06	252.97	221.05	347.36	252.97	285.30	228.85	233.15
USA (653)	311.29	0.5	284.29	248.29	276.90	311.29	0.5	1.94	309.67	281.71	246.16	275.46	309.67	331.54	254.79	262.58
Americas (824)	284.89	0.5	260.19	227.23	253.42	239.81	0.5	1.83	283.58	257.96	225.40	252.23	238.81	303.45	233.09	236.81
Europe (726)	240.47	-0.1	219.81	191.80	213.90	223.26	0.0	2.80	240.75	219.02	191.38	214.19	223.21	248.97	204.71	209.03
Nordic (150)	365.07	0.2	333.41	291.19	324.74	357.32	-0.3	2.02	364.38	331.48	289.65	324.12	358.36	365.85	286.64	286.94
Pacific Basin (683)	130.54	0.7	119.22	104.12	116.12	102.41	0.9	1.42	129.64	117.93	103.05	115.31	101.48	177.01	129.64	167.09
Euro-Pacific (1609)	176.36	0.2	161.07	140.67	156.89	148.03	0.4	2.20	175.95	160.06	139.86	156.51	147.43	191.51	175.95	184.45
North America (767)	303.45	0.5	277.13	242.03	269.93	302.89	0.5	1.95	301.97	274.71	240.04	268.61	301.44	323.69	246.65	256.21
Europe Ex. UK (515)	215.61	0.1	196.91	171.97	161.79	202.35	0.1	2.18	215.46	196.01	171.27	191.66	202.21	224.70	185.65	190.78
Pacific Ex. Japan (398)	293.28	1.0	267.64	233.92	260.88	254.95	0.8	2.90	290.35	264.14	230.81	258.28	252.70	320.65	266.97	289.62
World Ex. US (1824)	179.92	0.2	164.32	143.51	160.05	153.93	0.3	2.19	179.59	163.37	142.76	159.75	153.41	186.47	179.10	185.54
World Ex. UK (2266)	216.50	0.4	197.72	172.68	192.68	193.84	0.5	1.86	215.58	196.10	171.35	191.75	192.72	228.56	199.58	206.51
World Ex. Japan (1992)	279.06	0.3	269.95	221.78	247.34	268.80	0.3	2.28	277.23	252.20	220.37	246.60	267.91	292.72	233.10	239.85
The World Index (2477)	221.63	0.3	202.41	176.77	167.15	199.02	0.4	2.07	220.87	200.93	175.57	196.47	196.16	233.36	202.32	209.19

Latest prices were unavailable for this edition.

Contrasts in Frankfurt as $ gains

EUROPE

Bourses bounced as the dollar gained ground. FRANKFURT pushed carmakers again; the Dax index rose 36.63 to an Ibis-indicated 3,364.76. BMW stayed in the lead at DM1,407, up DM60.40, for a four-day gain of 15.9 per cent.

There was a stark contrast in Bavarian banks: Bayernhypo dropped DM1.29 or 2.3 *per cent to DM55.50 after a* fall in operating profits after provisions but Bayernverein rose DM1.90 or 2.85 per cent to DM68.50 – presumably on a straight switch, said Mr Hans-Peter Wodniok at Credit Lyonnais.

Second thoughts added 4.9 per cent to both Fresenius prefs and its Fresenius Medical Care subsidiary after analysts' conferences for both, with *gains of* DM17.50 to DM377.50, and DM7.20 to DM155.30 respectively.

There was no joy for the depressed construction sector. Bonn said the slump in the industry would end in 1998 at the earliest, with output and jobs continuing to fall this year. Hochtief, one of the best-liked stocks in the sector, closed DM2.50 or 3.5 per cent lower at *DM68.50.*

A late kick in Schering followed, first, the abandonment of late-stage clinical trials of a multiple sclerosis treatment by the Swedish/US drugs group, Pharmacia & Upjohn, after "an unexpected incidence" of heart attacks; and, just before the close, the European patent office cancellation of a patent allowing Biogen of the US to market the MS treatment, Betaferon. Schering closed DM5 or 3 per cent higher at DM172.

STOCKHOLM's pharma stocks had a bad day all round. P & U fell SKr5 to SKr270.50 on the MS story, *while Astra dropped* SKr8 to SKr341.50 after Merck, its US partner, was downgraded by several US brokerage houses.

The general index was depressed in consequence and fell 14.10 to 2,637.65. Ericsson Bs seemed to regret Tuesday's relative strength, and fell SKr4 to SKr250.

PARIS made progress in limited turnover with the CAC 40 index adding 38.55 to 2,617.55 in below average volume of 9.5m shares.

Alcatel Althom was the most active stock, rising FFr20 to FFr687 in almost 1m shares. L'Oreal was the best performer, gaining FFr81.00 or 4.2 per cent in FFr1,995 after a dramatic upgrade to from "sell" to "buy" by the broker, Cheuvreux.

Renault continued to benefit from restructuring talk on the day when Volvo of Sweden announced tighter links with Japan's Mitsubishi Motors. The shares jumped FFr4.60 to FFr146.50 for a two-day gain of close on 6 per cent.

AMSTERDAM continued to gain ground, with the AEX index ending higher 11.08 at 738.69, but volume was very weak.

Dollar-sensitive stocks supplied most of the day's underpinning. *Royal Dutch* Petroleum gained *Fl* 4.70 to Fl 330.70, helped by positive comments on trading by Rabobank. Philips added Fl 1.10 to Fl 89.90 for a two-day advance of almost 3 per cent.

Among financials, Aegon rose *Fl* 3.90 or 3.1 per cent to Fl 130.90 following news of strong profits at a banking unit.

Randstad gained Fl 2.30 to *Fl* 163 after ING Barings raised its earnings estimates for the group. Océ-van der Grinten was in favour ahead of next week's results, *adding Fl 2.20 to Fl 240.10.*

ZURICH was enlivened by the appointment of a new chief executive at Winterthur, Europe's fourth-largest insurer, while the broad market made a belated response to the strength of the dollar with a 52.3 rally in the SMI index to 4,684.9.

Winterthur jumped SFr48 to SFr1,049 as the company named Mr Thomas Wellauer, a 42-year-old McKinsey consultant, as the successor to Mr Peter Spaelti. Analysts said the rise was in part a response to investor appetite for corporate change in the Swiss business community.

The appointment also held out the possibility of long-rumoured closer ties between Winterthur and CS Group, with whose chief executive, Mr Lukas Muehlemann, Mr Wellauer had professional links dating back for some years. CS Group added SFr3.25 to SFr168.25.

Nestlé picked up SFr13 to close at an all-time high of SFr1,709. Recent demand has been supported by the stronger dollar and its status as a *liquid defensive* stock in a sometimes uncertain market.

MILAN finished higher, reflecting relief that a compromise appeared to have been reached which would provide political support for Italy's leadership of a mission to Albania and avert the threat to Mr Romano Prodi's centre left government. The Comit index added 7.96 to 752.48 while the real-time Mibtel index picked *up from a low of 11,891 to* finish 158 higher at 12,075.

San Paolo added L368 at L11,355 on news that IMI, Monte Dei Paschi, Cariplo and Ina were considering joining the core shareholder syndicate of the privatised San Paolo.

MADRID was heartened by a labour reform package which, said analysts, should go some way to moderating labour costs. *The general* index closed 3.78 higher at 482.00. Repsol, in mid-privatisation, led Spanish blue chips higher with a gain of Pta140 or 2.3 per cent to Pta6,150.

TEL AVIV tumbled 2 per cent as the worsening political and security situation remained obstacles to investment. Analysts noted that Israeli soldiers had wounded 31 Palestinians in renewed clashes in the town of Hebron yesterday, one day after the heaviest bloodshed in the West Bank since the crisis began last month. The *Mishtanim* index fell 5.20 to 251.30.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 9 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2164.76	2165.63	2168.05	2166.52	2168.03	2169.46	2170.00	2169.11
FTSE Eurotrack 200	2188.46	2190.51	2189.33	2190.00	2190.70	2191.80	2193.22	2192.60

	Apr 8	Apr 7	Apr 4	Apr 3	Apr 2
FTSE Eurotrack 100	2147.42	2136.34	2100.19	2085.44	2117.29
FTSE Eurotrack 200	2170.67	2164.76	2130.73	2123.31	2143.36

Base value 1000 (26/10/90) High/day: 100 - 2171.72; 200 - 2195.19 Low/day: 100 - 2164.50 200 - 2186.86 † Partial

Bombay up 3.7% on political peace bid

ASIA PACIFIC

Mounting optimism that talks between the government and its key Congress ally would end the 11-day-old political crisis over the administration's budget proposals took BOMBAY and CALCUTTA sharply higher. The BSE-30 index jumped 130.39 or 3.7 per cent to 3,650.88 while the Calcutta *exchange index finished* 1.64 higher at 101.65, off a high of 105.30.

Analysts noted that the ruling United Front coalition had invited the rebellious Congress Party to begin talks to resolve their differences before tomorrow's parliamentary vote of confidence. Congress had withdrawn its support for the 10-month-old minority government, citing the failure of its economic programme among other reasons.

TOKYO retreated as blue chip exporters reversed on profit-taking, wiping out the previous day's gains, *writes Gwen Robinson.*

The Nikkei 225 average slid 318.33 or 1.8 per cent, closing at the day's low of 17,703.37 after an opening high of 18,006.50. Selective buying of blue chips by domestic pension funds failed to halt the decline, as the recent sell-off of cross-shareholdings in the financial sector accelerated and eroded banks' share prices further.

Volume dropped from 477m shares to an estimated 423m. Declines overwhelmed advances by 940 to 197, with 107 unchanged. The Topix index of all first-section stocks plunged 21.66 to 1,343.39 and the capital-weighted Nikkei 300 was off 4.12 at 260.95.

Blue chips retreated, in spite of the dollar's climb against the yen to a 56-month high of Y126.92. Sony fell Y20 in Y9,100, TDK Y70 to Y9,110 and Sankyo, the pharmaceutical maker, was down Y130 at Y3,400.

The banking sector fell more than 3.6 per cent, with *Sumitomo Bank* down Y70 to Y1,250, Sakura Bank Y27 in Y621 and Fuji Bank down Y60 at Y1,270.

Mr James Fiorillo, financial analyst at ING Barings in Tokyo, said: "Clearly investors are at the early stages of categorising banks into three distinct groups: the weakest banks, mediocre banks and the strongest banks ... but they are particularly incensed by the composition of the NCB support plan, under which existing shareholders in the bank are essentially being called on to restructure their own bank."

Brokers also continued to slide, falling nearly 4 per cent on fears that the current investigation of Nomura Securities may be extended to other securities houses. Nomura fell Y50 to Y1,190 and *Daiwa* Securities shed Y30 to Y715.

In Osaka, the OSE average fell 180.97 to 18,895.54 and volume dwindled to 14.5m shares. In London, the ISE/Nikkei 50 index rose 3.59 to 1,454.27.

SYDNEY pushed higher after takeover hopes whipped up enthusiasm for banks and insurances. At the close, the All Ordinaries index was up 20.3 at 2,389.2.

The upturn was sparked by an official report into the *Australian financial system* which recommended that restrictions on mergers between the four major banks and two leading insurance companies be scrapped.

NAB jumped 39 cents or 2.5 per cent to A$16.11 and Commonwealth rose 28 cents or 2.2 per cent to A$12.98.

TAIPEI came in for late buying and the weighted index surged more than 200 points before settling for a gain of 196.19 or 2.3 per cent to *8,655.83,* a seven-year peak. Turnover remained heavy at T$198.6bn, having hit an all-time high of T$238.9bn on Tuesday.

HONG KONG moved modestly ahead although this week's rebound in prices began to slow, but China issues rallied on a lack of interest in big cap stocks and strength in mainland markets.

The Hang Seng index rose 28.11 to 12,426.68, off an early high of 12,451.46, in turnover that was little changed at HK$6.7bn. The H-share index, however, surged 38.16 or 3.5 per cent to 995.63.